

*Morgan Stanley Sponsored  
Investor Day  
September 5, 2001*

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The statements in this presentation that are not historical facts are forward-looking statements that are subject to material risks and uncertainties. Investors are cautioned that any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties, and that actual results or developments may differ materially from those in the forward-looking statements as a result of various factors which are discussed in Adelphia's and Adelphia Business Solution's filings with the Securities and Exchange Commission. These risks and uncertainties include, but are not limited to, uncertainties relating to general economic and business conditions, acquisitions and divestitures, growth and expansion risks, the availability and cost of capital, government and regulatory policies and developments, the pricing and availability of equipment, materials, inventories and programming, product acceptance, the ability to construct, expand and upgrade its cable systems, fiber optic networks and related facilities, risks associated with reliance on the performance and financial condition of vendors and customers, the ability of the companies to execute on their business plans and to market services to existing and new customers, dependence on customers and their spending patterns, technological developments and changes in the competitive environment in which we operate. Additional information regarding factors that may affect the business and financial results of Adelphia and Adelphia Business Solutions can be found in their most recent Quarterly Reports on Form 10-Q filed with the Securities Exchange Commission and their respective Form 10-Ks for the year ended December 31, 2000, as well as in the prospectus and most recent prospectus supplement filed under Registration Statement Nos. 333-64224 and 333-11142 (formerly No. 333-88927), under the section entitled "Risk Factors" contained therein. Neither company undertakes to update any forward-looking statements in this presentation or with respect to matters described herein.



## Company Overview

### *Status Report*

### *Modification of Business Plan*

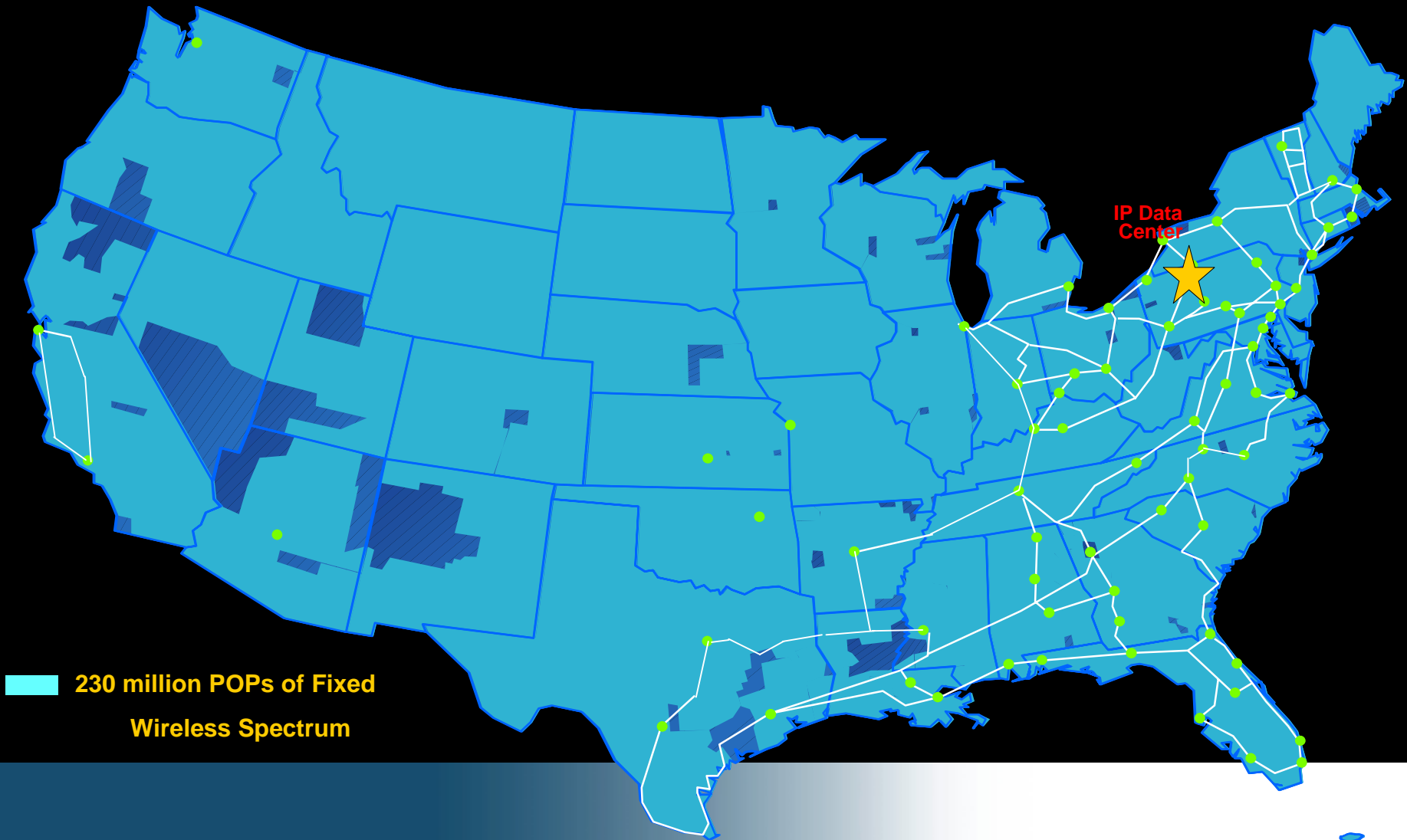
- Concentration in 50-60 markets with current active (or near to active) networks
- Leverage profitability of Classes of '96-'98 markets
  - Dense Fiber Optic Rings
  - Fixed wireless
  - DSL Connectivity in Bell LSOs
- Utilize regional network in Eastern U.S. for connectivity of newer markets
- Focus new business on owned network assets - eliminate TSR
- Continued conversion/elimination of existing TSR customer base in 2001





## Financial Impact of Business Plan Modification

	<u>Previous Plan</u>	<u>New Plan</u>
Markets	75-80	50-60
Revenue Growth 5yr CAGR	41%	33%
EBITDA Positive	Q4 '01	Q4 '01
Cap X – Q3 2001-2003	\$960 Million	\$630 Million
Free Cash Flow	Q4 '04	Q2 '04
Adjusted Funding Gap as of June 30, 2001	(\$1,105 Million)	(\$80 Million)
Sources of Financing		
- Existing Liquidity @ June 30, 2001	\$85 Million	\$85 Million
- Asset Sale to ADLAC	-	\$125 Million
- Senior Secured Credit Facility	-	\$500 Million



230 million POPs of Fixed  
Wireless Spectrum

## Major Customers



**Adelphia**  
BUSINESS SOLUTIONS



MARYLAND INSTITUTE COLLEGE OF ART



**HERSHEY'S**



HIGHMARK.



**NewsChannel 5.com**  
YOUR NEWS & INFORMATION LEADER

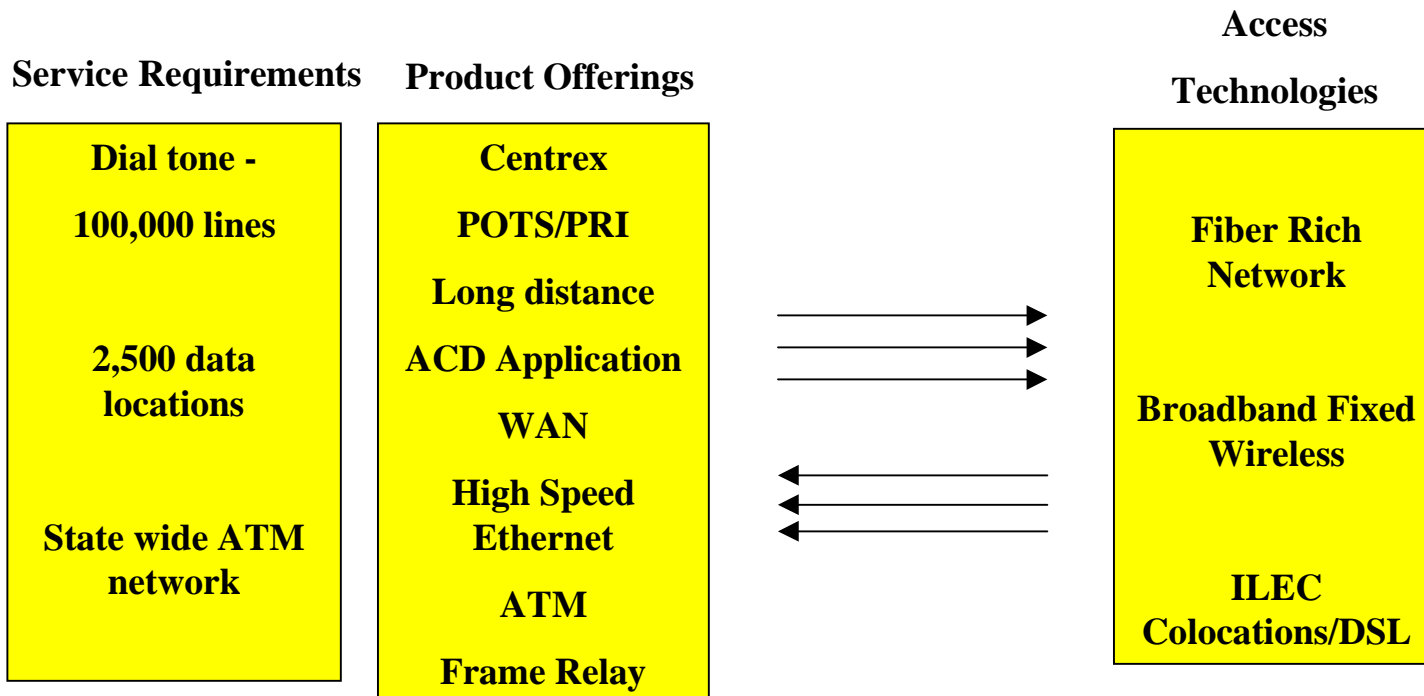


**Shop At Home**  
NETWORK



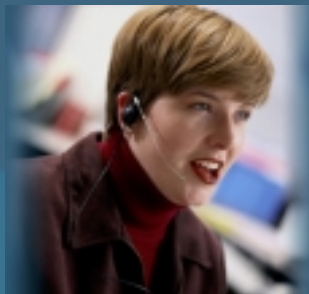
# Commonwealth of PA

*Illustrates advantages of a facilities rich approach and strong product portfolio*



## *Contribution to Business Plan*

- Annual Revenues of over \$50 million and going
- Annual EBITDA contribution of over \$25 million



## 2001 Business Drivers

- Convert Existing TSR Customers to our Networks
- Add New Customers Directly on to our Networks
- Significantly reduce overhead expenses associated with nationwide expansion effort
- Complete Local Network Construction and light an additional 35 markets in 2001
- Complete Long-haul Connectivity for all Local Markets lit in 2001
- Maximize Billing and Cross Product Bundling Opportunities through Launch on New OE/OM Convergence Billing System
- Expand Product Management Efforts
- Minimize Bad Debts Associated with Bad Customers

# MARKET MATURITY

## A TRACK RECORD OF SUCCESS

### 21 Original Markets

Gross Margin Positive      EBITDA Positive      Free Cash Flow Positive

Three Years from Now	21	21	21
Two Years from Now	21	21	21
One Year from Now	21	21	15
<b>Today</b>	<b>21</b>	<b>21</b>	<b>9</b>
One Year Ago	21	17	1
Two Years Ago	18	16	1
Three Years Ago	16	7	0


### 38 Expansion Markets

Gross Margin Positive      EBITDA Positive      Free Cash Flow Positive

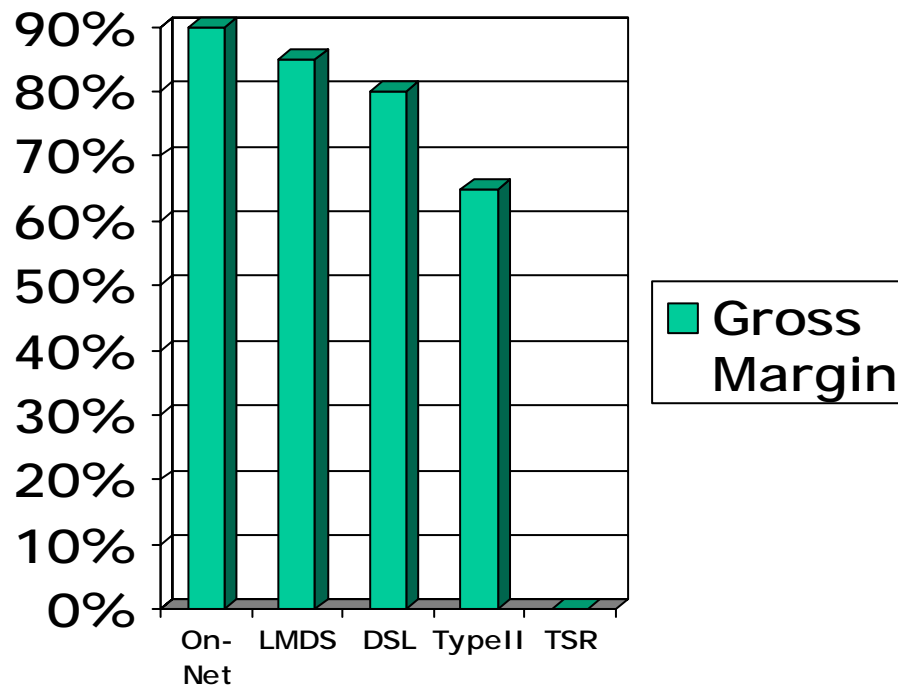
38	38	15
38	30	5
25	12	0
<b>9</b>	<b>1</b>	<b>0</b>
0	0	0
0	0	0
0	0	0

A small inset photograph of a woman with short brown hair, wearing a dark jacket over a red turtleneck and a headset with a microphone, smiling and looking towards the right.

## • Proof of Concept - A Facilities Based Strategy

- 
- A large, semi-transparent graphic of a hand holding a bundle of glowing fiber optic cables, with light emanating from the tips of the fibers, positioned behind the bulleted text.
- All Original Markets are EBITDA positive
  - Strong Facilities Presence in Lit Markets
    - Regional network rings active in East U.S.
    - Core networks for Class of 1999 being completed during 2001
  - History of strong Gross Margins in Mature Markets
    - Class of 1996 consistently over 70% GM
    - On-switch emphasis will improve overall GM in 2001
  - Multiple Broadband Access Technologies will facilitate Facilities Based Strategy in Newer Markets

## Gross Margin Opportunities Depend Upon Delivery Method



- Gross Margin Opportunity is very Dependent Upon Transport Method
- Established Markets Incremental Margin per Capital Dollar Deployed is Very High
- Lower Dependence Upon ILEC Increases Service Capabilities
- Broadband Connectivity Aids Multiple Service Offerings and Cross Product Bundling Opportunities

## Capital Cost of Facilities Based Market Entry

(\$ in millions)

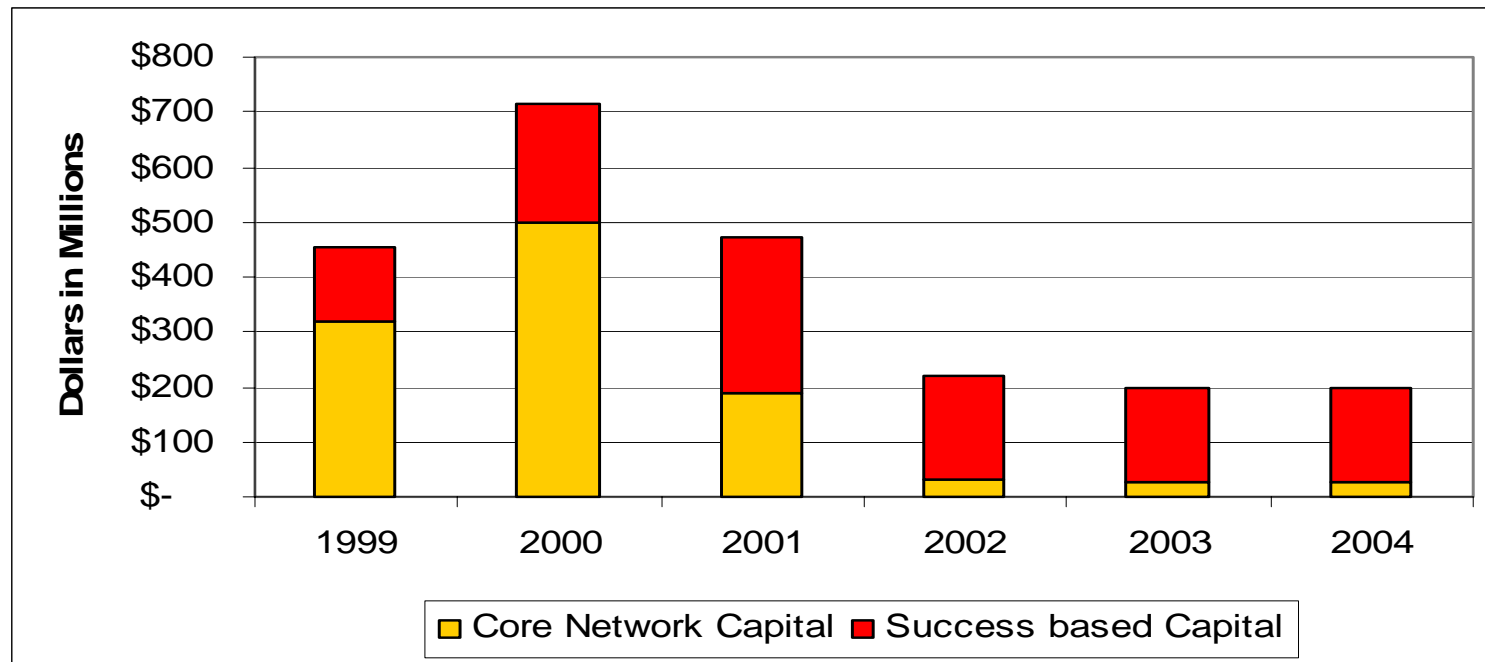
<u>Core Infrastructure Capital</u>	<u>Years 1/2</u>
Local Fiber Network – assumes 100 miles @ \$50K average (40% savings if built with cable partner)	\$ 5.0
Central Office with Regional Switch	
- CO	\$ 5.0
- Switch	\$ 3.0
- Sonet	\$ 1.0
- DACs	<u>\$ 1.5</u>
Total Central Office	\$10.5
LSO Collocation – assumes 4-6 ILEC COs	\$ 1.5
Connectivity to Long Haul Network	\$ 0.4
Other (Office, Vehicles, Tools, etc.)	<u>\$ 0.6</u>
Total Core Infrastructure	<u>\$18.0</u>

Targeted 5 Year ROA		
(\$ in millions)	With Cable Partner	Without Cable Partner
Year 5 Revenue	\$28	\$22
Year 5 EBITDA	\$15	\$11
EBITDA %	54%	51%
Gross PP&E – Core	\$16	\$18
Gross PP&E – Success Based	\$28	\$24
Customers	1,500	1,200
Employees	65	60
Unlevered ROA	37%	28%

Thereafter capital spending, including capacity spending, is largely success based at \$650-\$750/access line addition

## Capital Spending Plan

- *Heavily focused on profitable business*



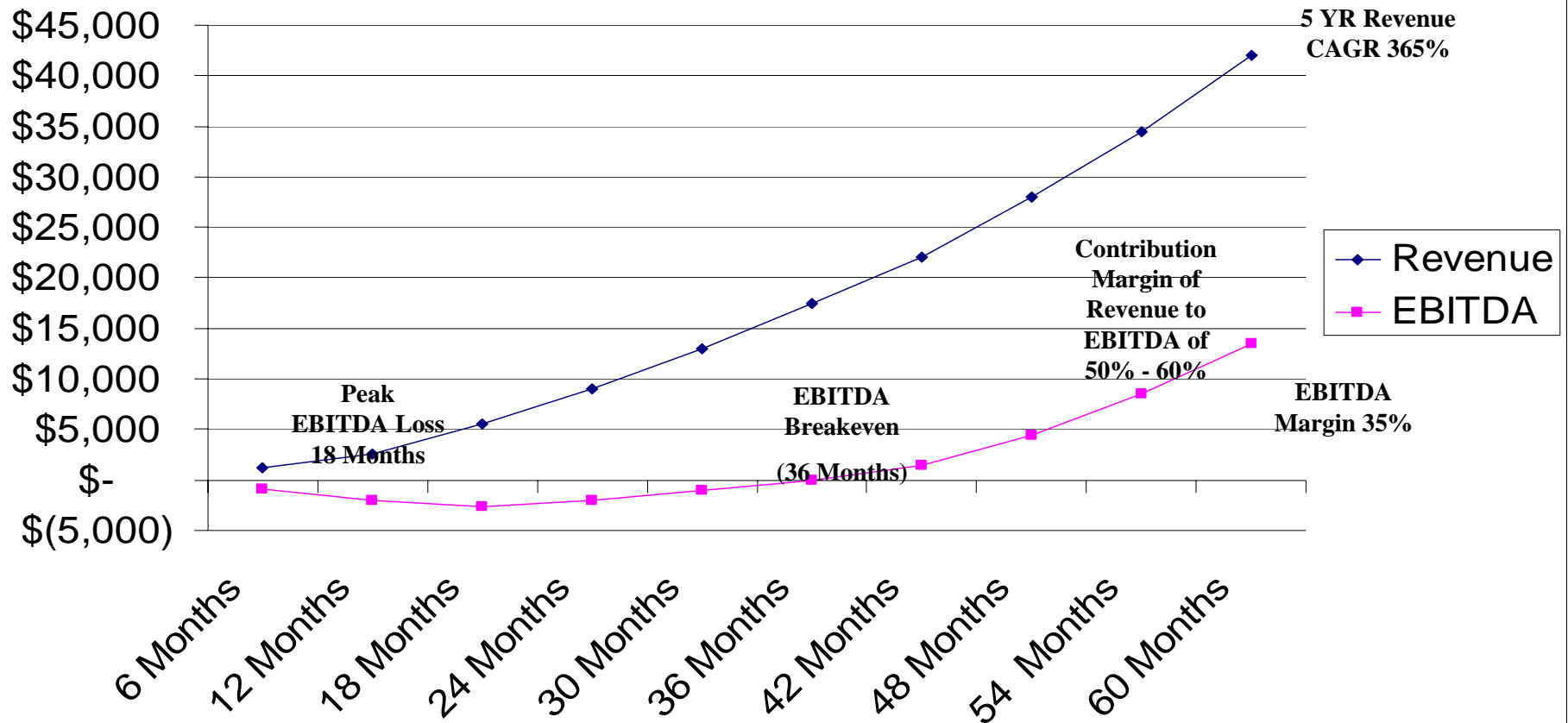


## Strong Return on Incremental Capital Investment

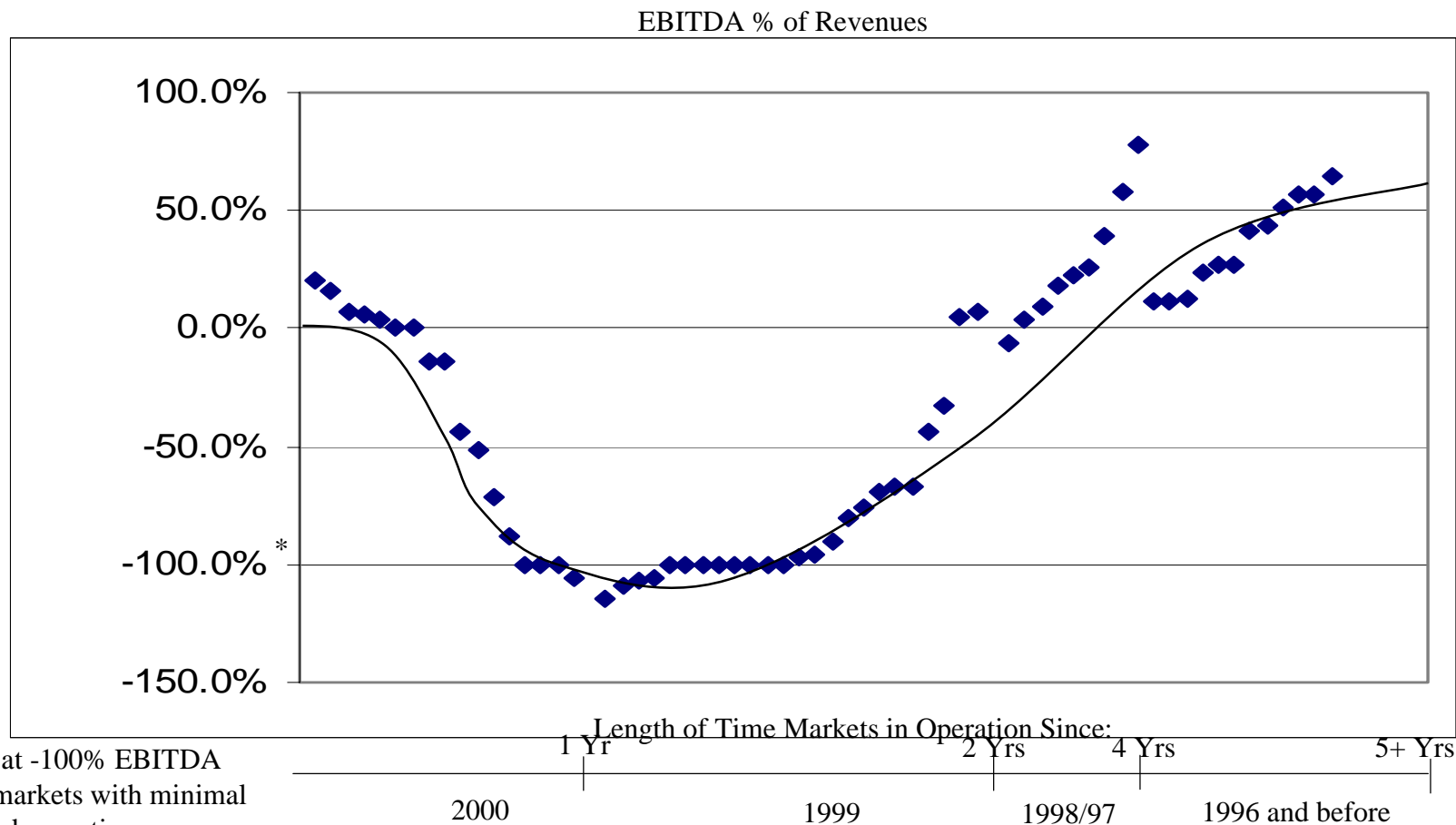
*Success based capital has high contribution margin*

- Core markets contribution of Annualized Revenues to Capital Investment of \$1.10:\$1.00
- On-switch EBITDA margins of 55% - 75%
  - Annual run-rate EBITDA improvement of over \$140-\$160 million
- Implied 2 year return of capital investment
- Focus on Customer Premise Equipment and Access Capital (Fiber, LMDS, DSL)

## Illustrative Financial Model of a CLEC Market

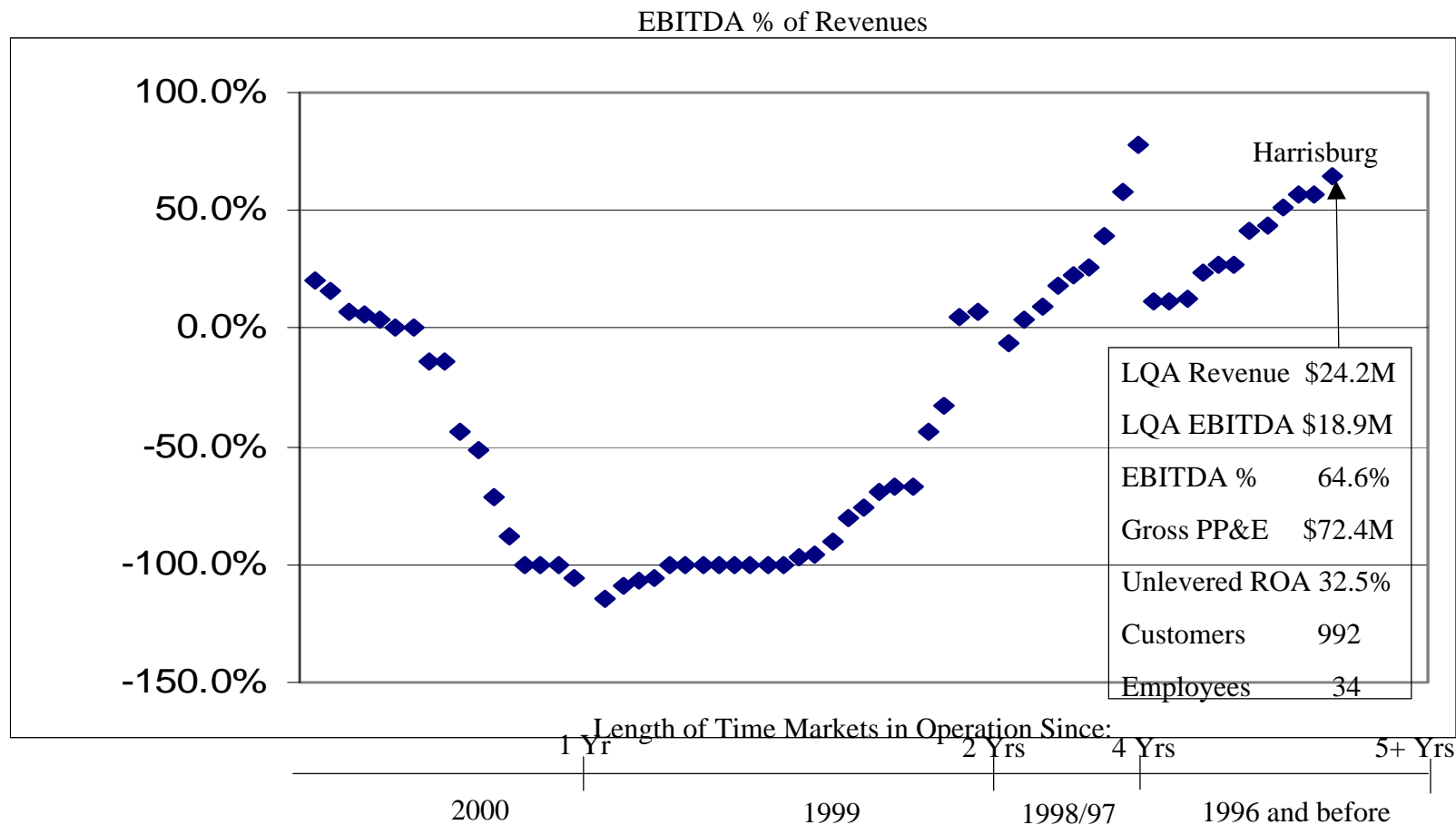


## A Historic Track Record of Success

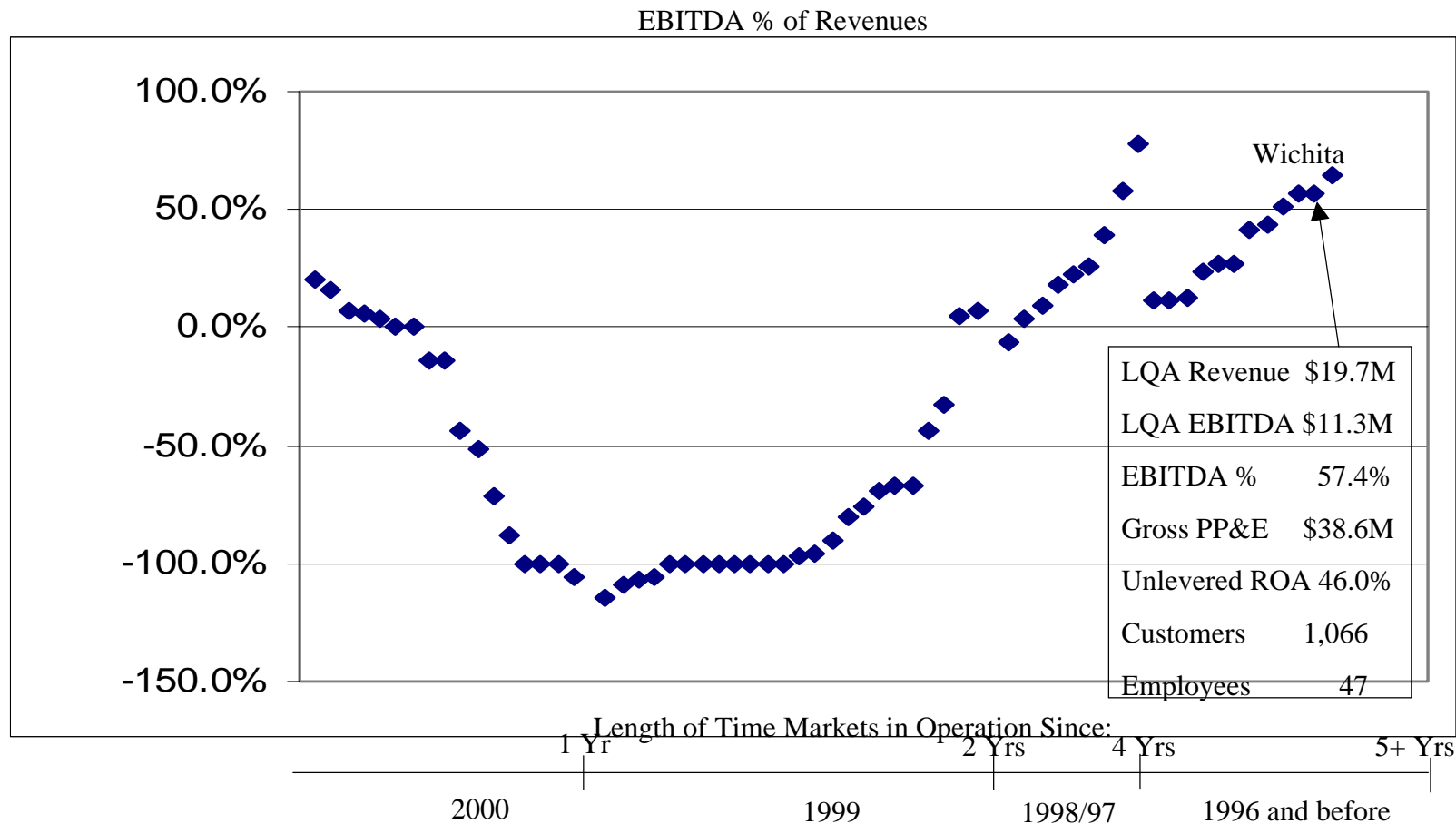


Annualized EBITDA	\$ (4.2M)	\$(21.8M)	\$ 26.6M	\$150.3M
Gross PP&E as of 6/30/01	\$134.3M	\$405.3M	\$168.6M	\$807.6M

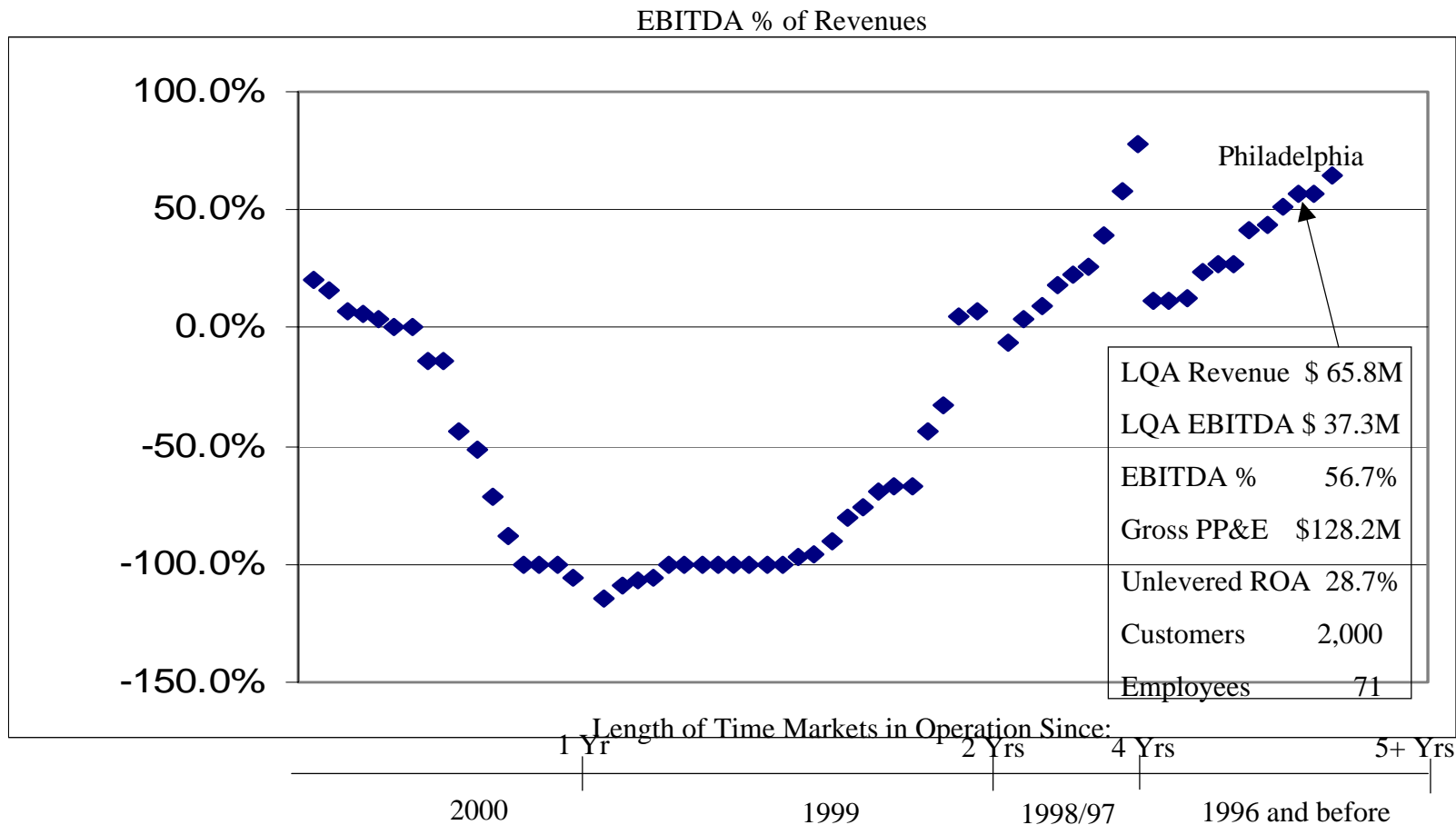
## A Historic Track Record of Success



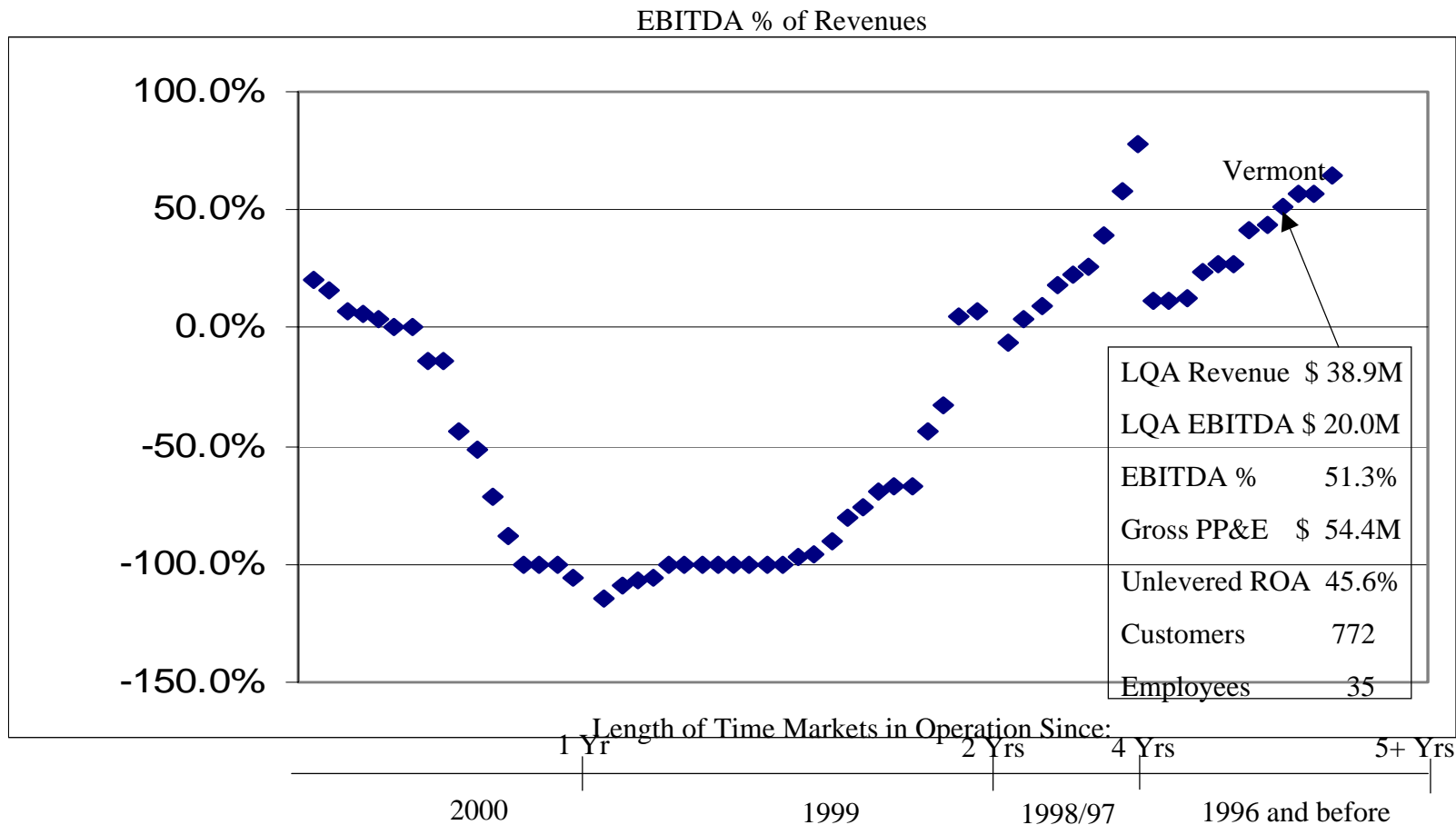
## A Historic Track Record of Success



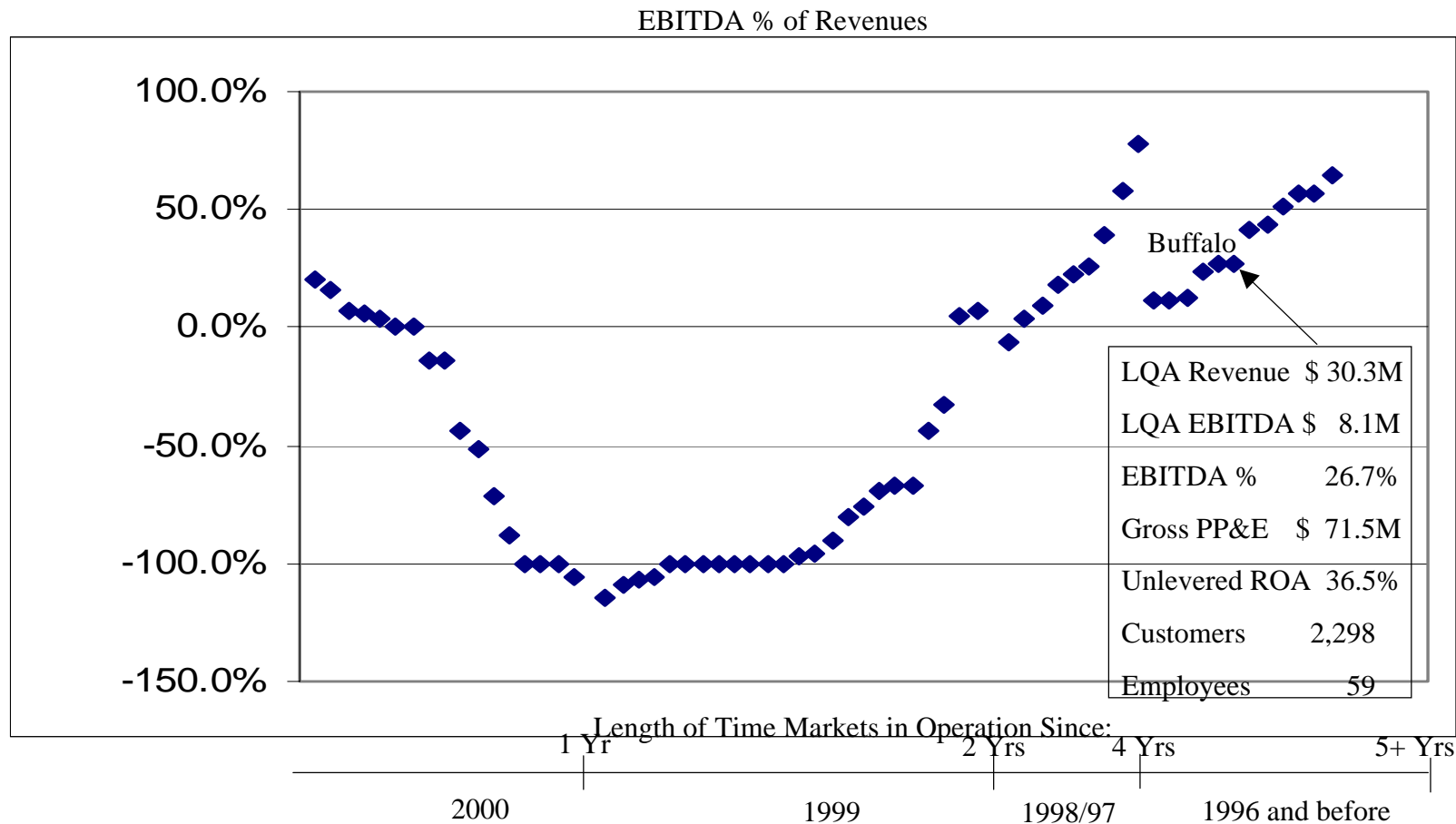
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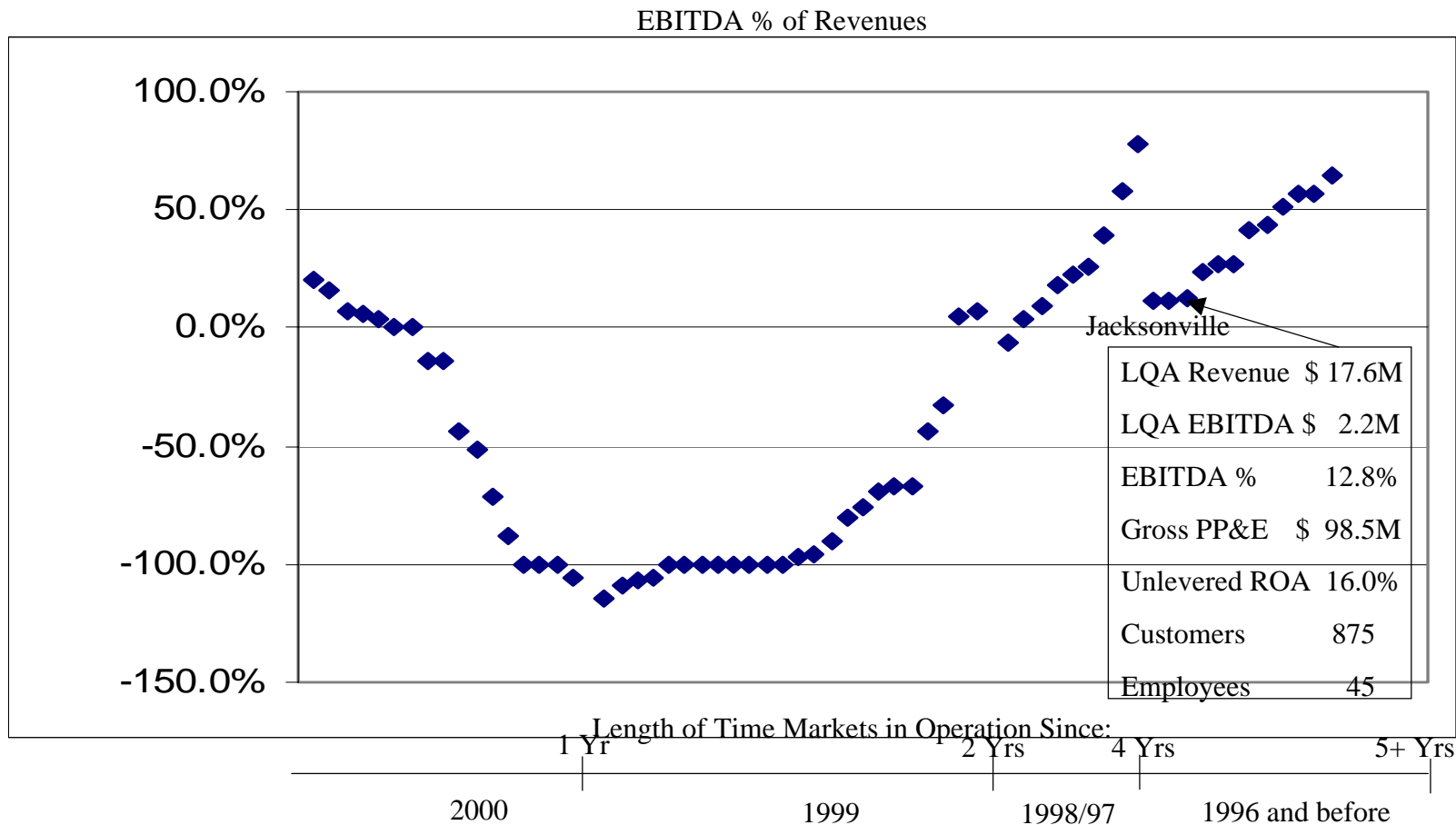
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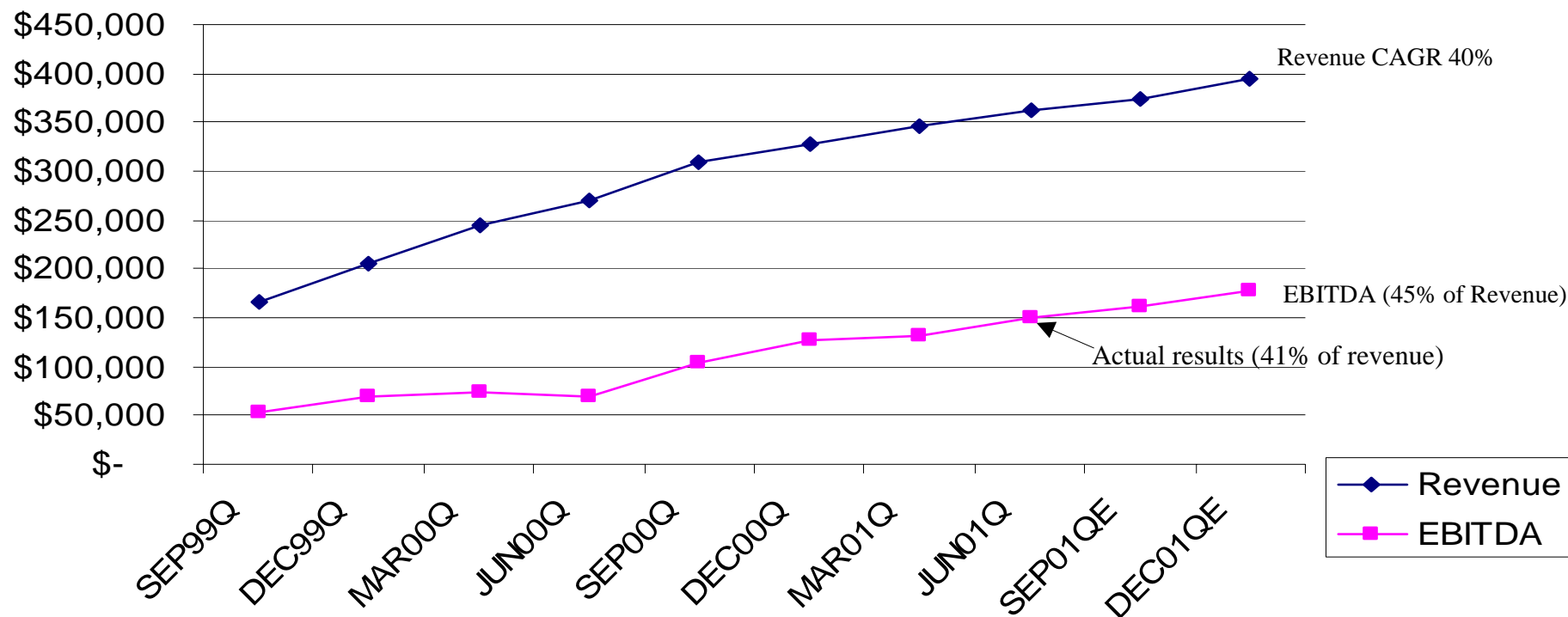


# A Historic Track Record of Success



## Class of 1996

### Overall Quarterly Annualized Performance\*

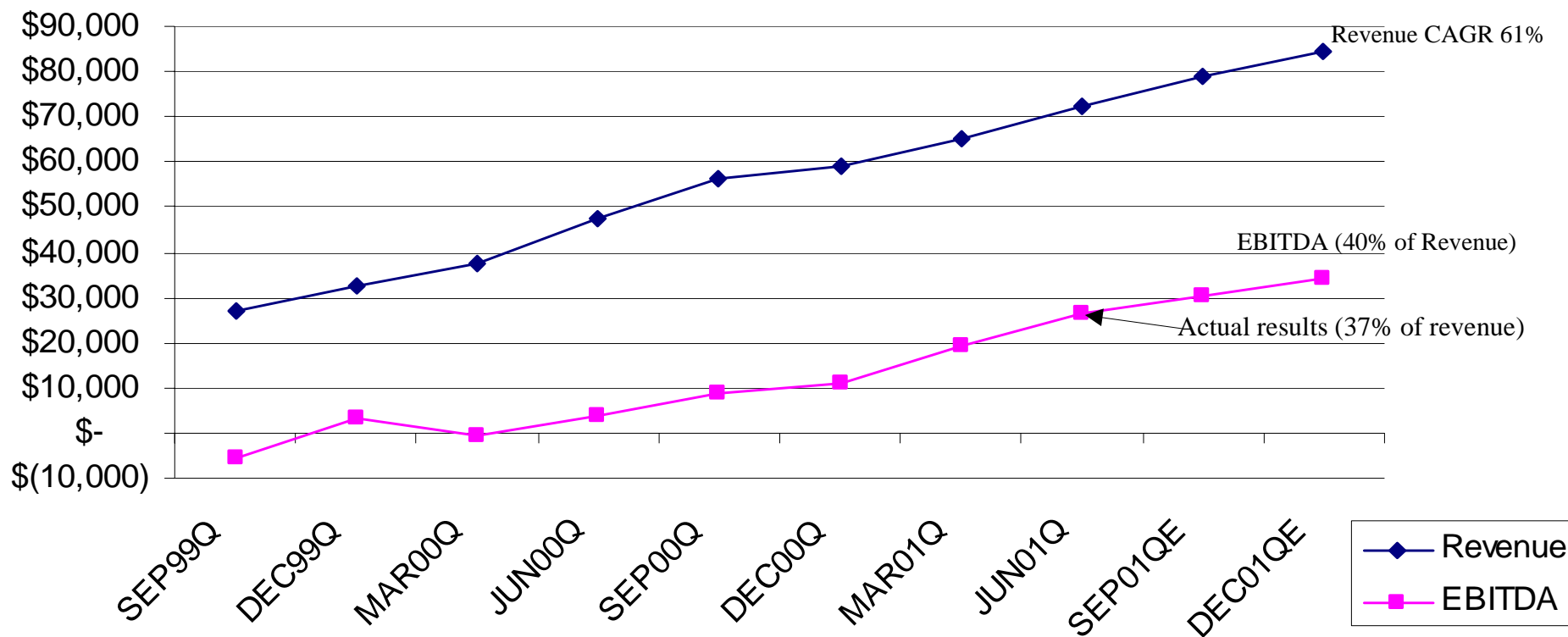


\* Before Allocation of Corporate Overhead

Sep01 - Dec01 represent Company estimates

## Class of 1997/1998

### Overall Quarterly Annualized Performance\*

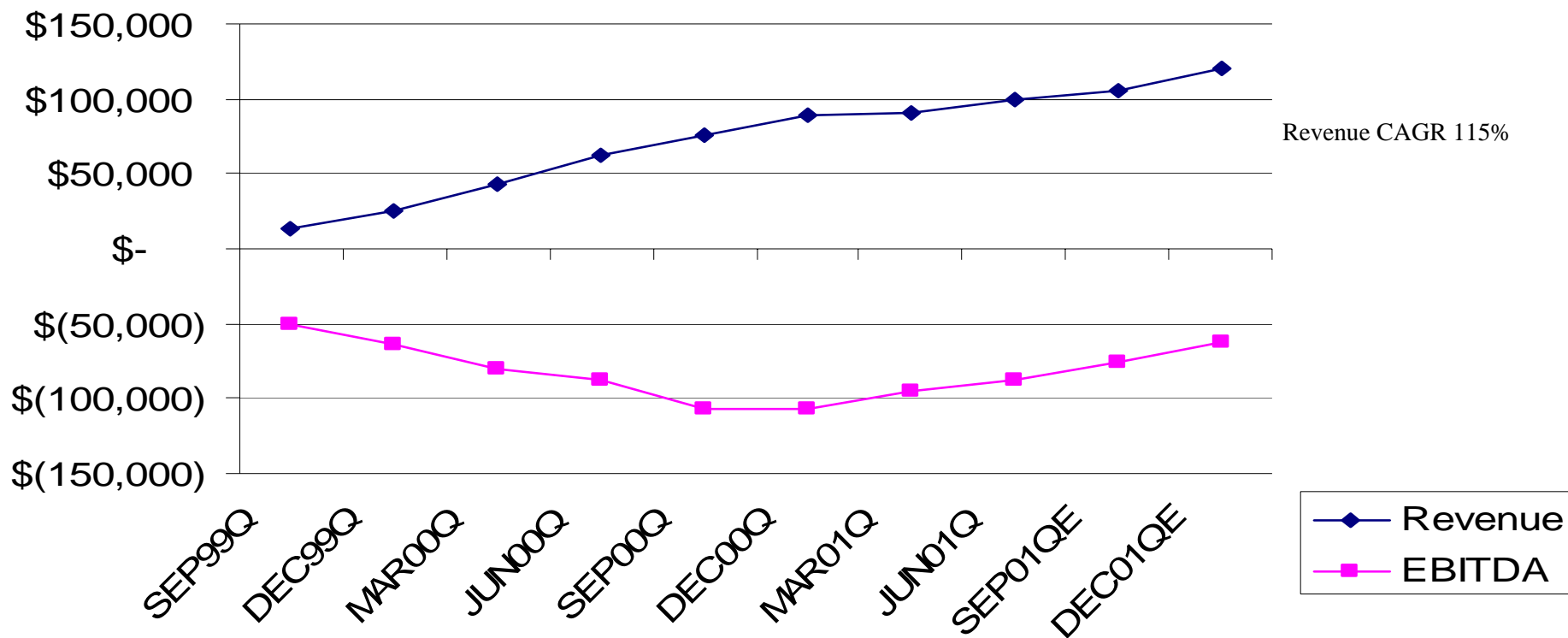


\* Before Allocation of Corporate Overhead

Sep01 - Dec01 represent Company estimates

## Class of 1999

Overall Quarterly Annualized Performance\*

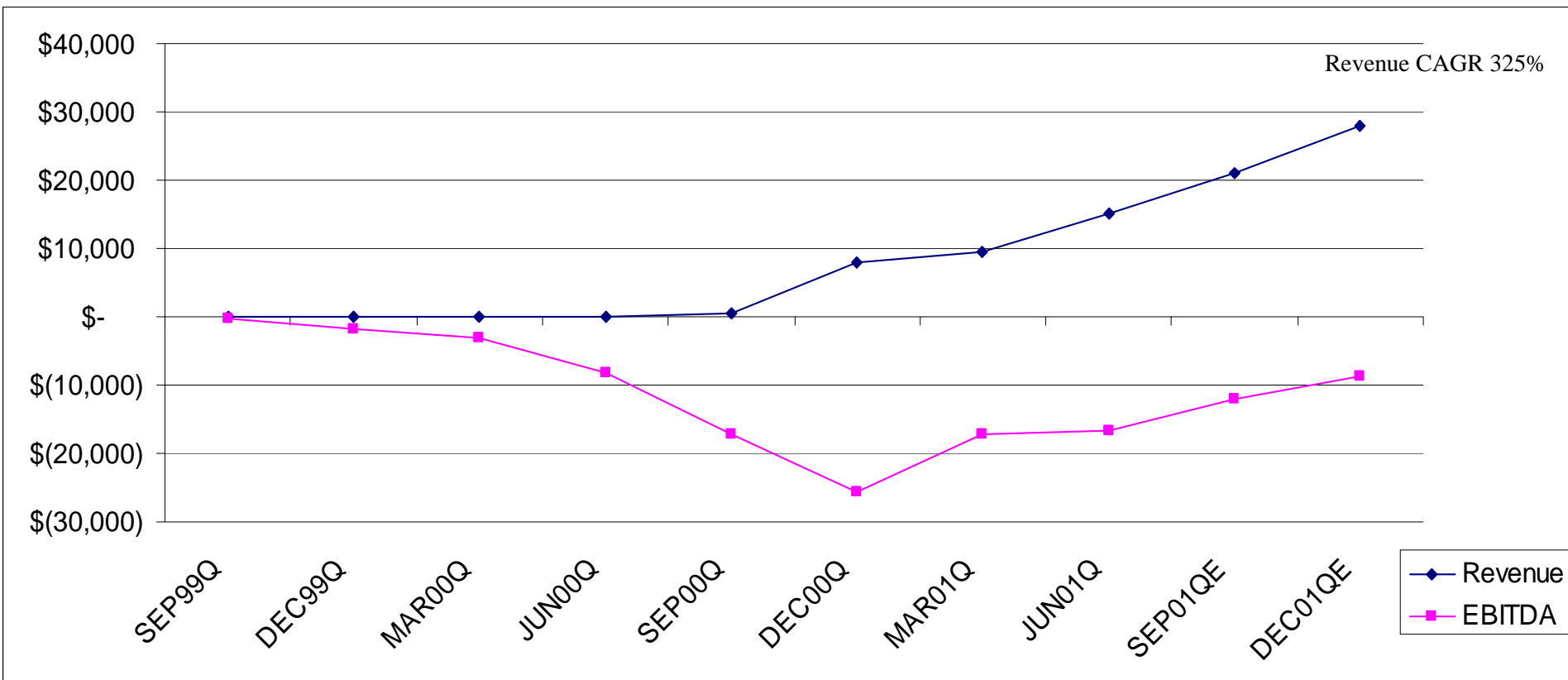


\* Before Allocation of Corporate Overhead

Sep01 - Dec01 represent Company estimates

# Class of 2000

## Overall Quarterly Annualized Performance\*



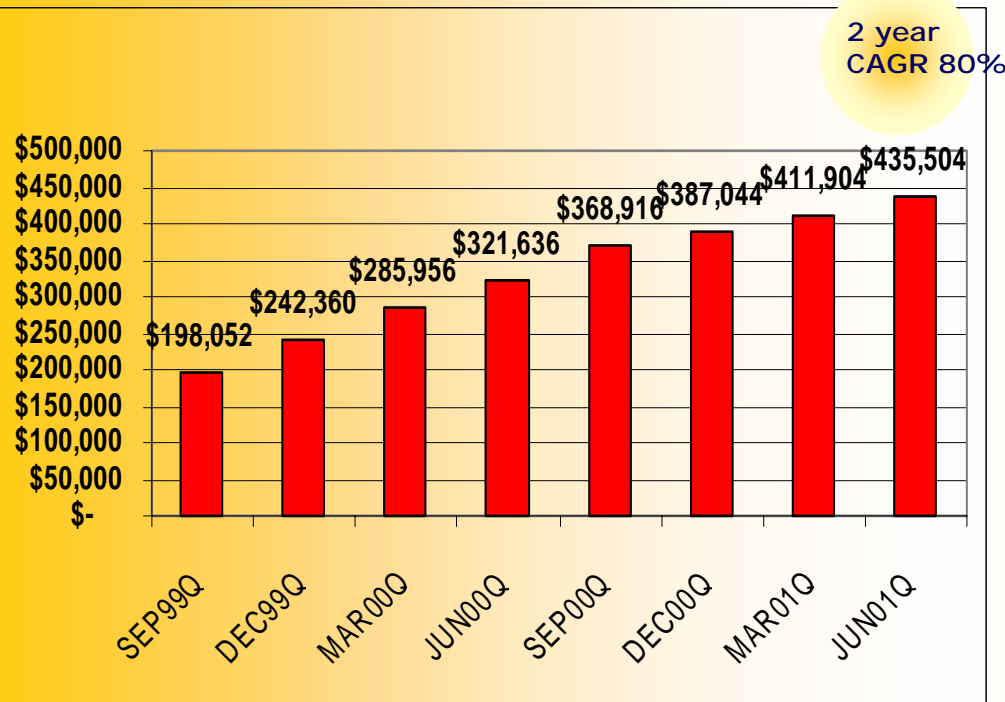
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Sep01 - Dec01 represent Company estimates

# Financial Results

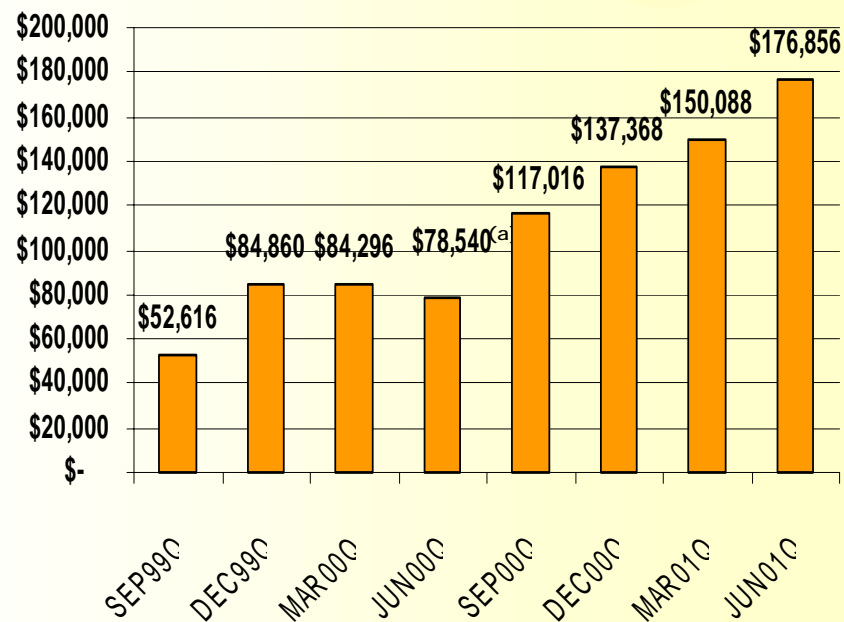
21 Original Markets

## Revenue



Last Quarter Annualized (\$'000s)

## EBITDA 40.6% Margin



Last Quarter Annualized (\$'000s)

<sup>(a)</sup> Includes settlement charges with Bell Atlantic

The background of the slide is a gradient of blue and white. On the right side, there is a large, stylized clock face with numbers 7, 8, 9, and 10 visible. On the left side, there are abstract white lines and dots resembling a network or data flow. A horizontal dotted line is positioned above the title text, and a solid green horizontal line is positioned below it.

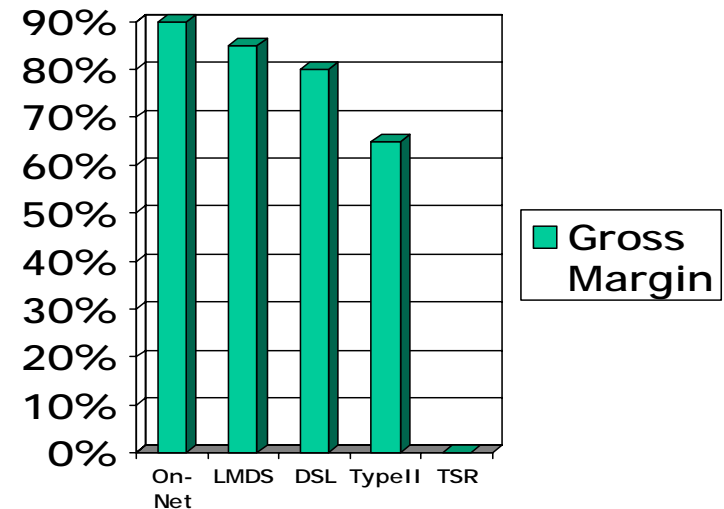
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*Gulf Region/Wichita*  
*A Case Study in Success*

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# Overview of Assets-Facilities Key Drivers to Long Term Success

	<u>One Year Ago</u>	<u>Current</u>	<u>By Q1 2002</u>
Lit Markets	40	59	62
Local Operational Fiber Miles - Route	8,147	10,142	11,000
- Strand	359,862	586,183	650,000
5ESS Switches Operational	23	30	30
Collocated Central Offices	234	321	350
Data Switches	12	30	30
Buildings Connected	3,057	3,369	4,200



## Type I - Leveraging Facilities for High Economic Returns

### Typical Single Tenant Type I Building Profile

Tenants	1
Square Feet	10,000
Addressable Market - Access Lines	40 - 50
- Annual Telecom Dollars	\$ 25,000

### Building Entry/CPE Cost Profile

Fiber Construction	\$ 5,000
CPE (including SONET)	12,000
Riser Cable/Labor, etc.	1,000
Total Capital Costs	\$ 18,000

Opportunity	<u>100%</u>
Revenue (Monthly Recurring) *	\$ 2,100
Cost of Service/Building Rent	<u>250</u>
Gross Margin \$	1,850
Gross Margin %	88%
Selling Cost – One Time	(3,500)
Incremental Monthly EBITDA Contribution	1,850
Payback (in Months)	12 months
ROIC – assumes customer for 4 years	96.3%

\* Excludes one time installation charges which are often available in Type I Buildings

## Type I - Leveraging Facilities for High Economic Returns

### Typical Type I Multi-Tenant Building Profile

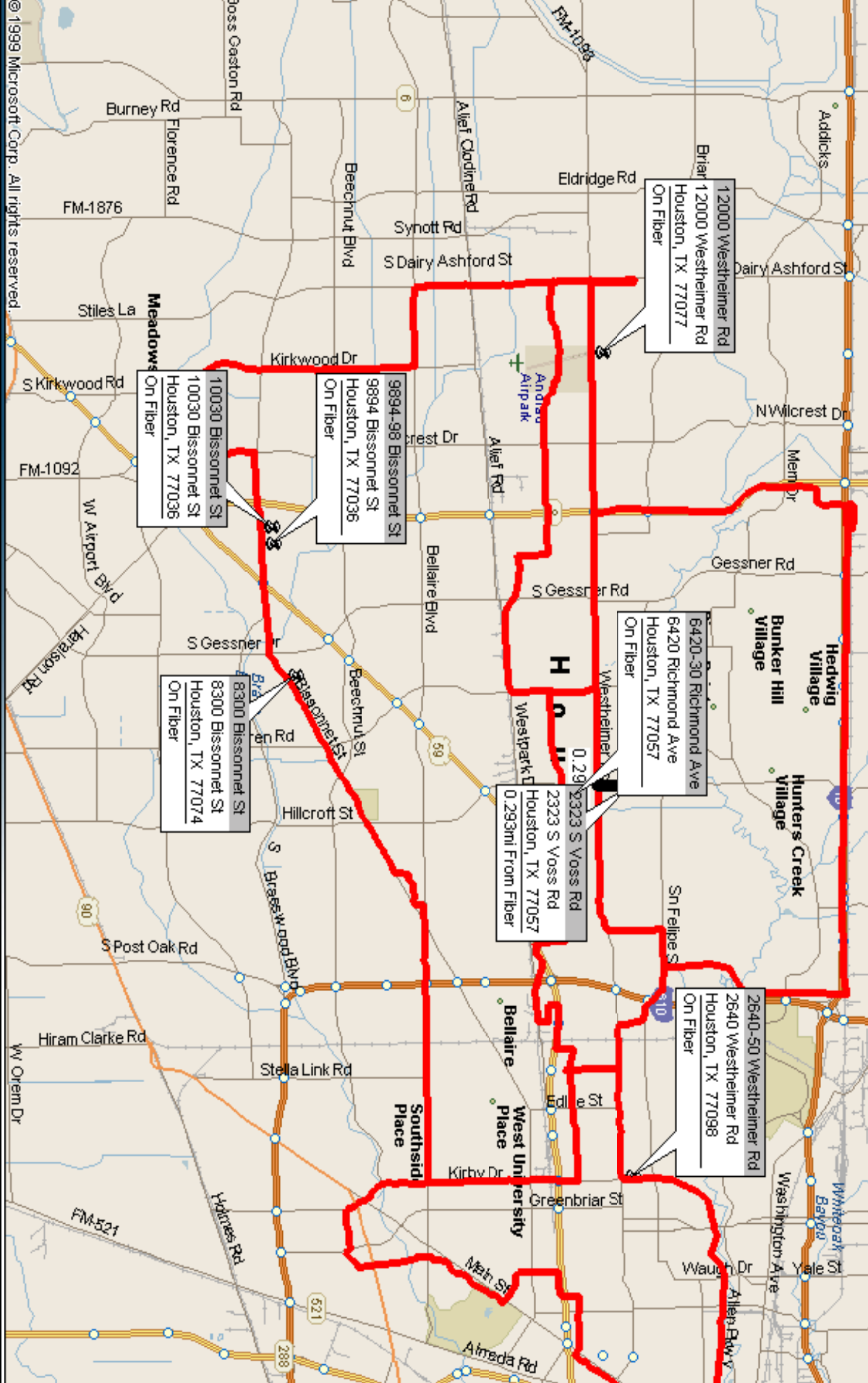
Tenants	20
Square Feet	100,000
Addressable Market - Access Lines	240
- Annual Telecom Dollars	\$168,000

### Building Entry/CPE Cost Profile

Fiber Construction	10,000
CPE (including SONET)	16,000
Riser Cable/Labor, etc.	4,000
Total Capital Costs	\$ 30,000

	<u>Penetration Rates of Building</u>		
Opportunity	<u>20%</u>	<u>50%</u>	<u>100%</u>
Revenue (Monthly Recurring) *	\$ 2,800	\$ 7,000	\$ 14,000
Cost of Service/Building Rent	<u>525</u>	<u>850</u>	<u>1,400</u>
Gross Margin \$	2,275	6,150	12,600
Gross Margin %	81%	88%	90%
Selling Cost – One Time	(3,000)	(7,500)	(15,500)
Incremental Monthly EBITDA Contribution	2,275	6,150	12,600
Payback (in Months)	14 months	8 months	6 months
ROIC – assumes customer for 4 years	73.6%	145.9%	197.4%

\* Excludes one time installation charges which are often available in Type I Buildings



## City Overview

<i>June Month-End</i>				
	<b>On-Net</b>	<b>Type II</b>	<b>TSR</b>	<b>Total</b>
<b>Budget %</b>	72%	16%	12%	
<b>Actual %</b>	75%	18%	6%	
<b>Budget Qty</b>	13,834	3,064	2,344	19,242
<b>Actual Qty</b>	15,151	3,699	1,261	20,111
<b>Delta</b>	1,317	635	(1,083)	869

<b>Existing</b>	<b>Pending</b>	<b>Fiber</b>		<b>Type II</b>	<b>Type II</b>	
<b>LEC</b>	<b>LEC</b>	<b>Route</b>	<b>Lit</b>	<b>DS1</b>	<b>DS0</b>	<b>TSR</b>
<b>Collo's</b>	<b>Collo's</b>	<b>Miles</b>	<b>Buildings</b>	<b>Buildings</b>	<b>Buildings</b>	<b>Buildings</b>
5	2	236	225	333	209	576
		<b>Lines</b>	15,151	3,268	431	1,261
		<b>Per Bldg</b>		9.8	2.1	2.2

## Budget Summary YTD thru June 01

	<b>Total</b>	<b>Budget</b>	<b>Delta</b>
<b>REVENUE</b>	10,223,741	9,061,740	1,162,001
<b>Tech Exp</b>	1,554,968	1,556,638	(1,670)
<b>GROSS</b>	<b>8,668,773</b>	<b>7,505,102</b>	<b>1,163,671</b>
<b>MARGIN</b>	<b>85%</b>	<b>83%</b>	
<b>Total Expenses</b>	4,417,940	3,572,324	845,616
<b>EBITDA</b>	<b>5,805,801</b>	<b>5,489,416</b>	<b>316,385</b>
	<b>57%</b>	<b>61%</b>	

## Well Known Customers



HCA



## Technical Exp YTD thru June 01

Top 12	1st Q	2nd Q	YTD	BUDGET	Delta	
Wages	279,557	322,020	601,577	513,716	87,861	117%
TSR	248,982	39,591	288,573	465,745	(177,172)	62%
Type II	159,671	175,653	335,324	290,293	45,031	116%
Long Distance	132,408	141,873	274,281	245,000	29,281	112%
Oper Trnspt Fee	83,221	106,603	189,824	160,832	28,992	118%
Data Expense	59,723	83,139	142,862	107,120	35,742	133%
Interconnect Fees	42,367	74,972	117,339	47,305	70,034	248%
Collocation	31,230	25,291	56,521	63,750	(7,229)	89%
Outside Services	18,597	11,144	29,741	38,400	(8,659)	77%
Other Tech Exp	9,751	17,969	27,720	30,691	(2,971)	90%
Travel & Entertainment	1,726	4,686	6,412	14,080	(7,668)	46%
Education	2,251	-	2,251	5,250	(2,999)	43%
<b>Total Technical Expenses</b>	<b>814,411</b>	<b>740,557</b>	<b>1,554,968</b>	<b>1,556,638</b>	<b>(1,670)</b>	<b>100%</b>
<b>Gross Margin Percentage</b>	<b>85%</b>	<b>84%</b>	<b>85.0%</b>	<b>83%</b>		

## Marketing Exp YTD thru June 01

	1st Q	2nd Q	YTD	BUDGET	Delta	
<b>Outside Service</b>	7,580	-	7,580		7,580	
<b>Advertisement</b>	54,496	29,121	83,617	76,926	6,691	109%
<b>Other</b>	(9,924)	(4,930)	(14,854)	-	(14,854)	
<b>Total</b>	<b>52,152</b>	<b>24,191</b>	<b>76,343</b>	<b>76,926</b>	<b>(583)</b>	<b>99%</b>
<b>% to Sales</b>	0.95%	0.51%	0.75%	0.85%		

## Sales Expense YTD thru June 01

	1st Q	2nd Q	YTD	BUDGET	Delta	
<b>Wages</b>	212,755	216,713	429,468	349,832	79,636	123%
<b>Bonus &amp; Comm</b>	209,533	150,173	359,706	197,579	162,127	182%
<b>Education</b>			-	4,940	(4,940)	0%
<b>T&amp;E</b>	3,443	(2,869)	574	15,814	(15,240)	4%
<b>Telephone</b>	1,014	762	1,776	5,175	(3,399)	34%
<b>Outside Services</b>	5,481	1,457	6,938	7,200	(262)	96%
<b>Recruiting</b>			-	15,750	(15,750)	0%
<b>Other</b>	532	293	825	2,427	(1,602)	34%
<b>Total</b>	<b>432,758</b>	<b>366,529</b>	<b>799,287</b>	<b>598,717</b>	<b>200,570</b>	
<b>% to Sales</b>	7.86%	7.77%	7.82%	6.61%		

## G&A YTD thru June 01

Top 12	1st Q	2nd Q	YTD	BUDGET	Delta	
<b>Bad Debt</b>	459,360	382,373	841,733	181,236	660,497	464%
<b>Wages</b>	149,393	145,916	295,309	323,901	(28,592)	91%
<b>Taxes &amp; Fees</b>	130,295	144,993	275,288	168,000	107,288	164%
<b>Billing</b>	106,108	154,407	260,515	205,236	55,279	127%
<b>Office Rent</b>	59,021	73,365	132,386	126,000	6,386	105%
<b>Bonus &amp; Comm</b>	36,628	20,223	56,851	48,000	8,851	118%
<b>Outside Services</b>	25,339	12,777	38,116	32,160	5,956	119%
<b>Telephone</b>	14,829	21,428	36,257	82,800	(46,543)	44%
<b>Office Supplies</b>	13,424	8,032	21,456	46,120	(24,664)	47%
<b>T&amp;E</b>	5,486	3,929	9,415	45,000	(35,585)	21%
<b>Education</b>	4,000	-	4,000	13,168	(9,168)	30%
<b>Other G&amp;A</b>	(6)	(2,523)	(2,529)	16,492	(19,021)	-15%
<b>Total</b>	<b>1,017,548</b>	<b>969,794</b>	<b>1,987,342</b>	<b>1,340,043</b>	<b>647,299</b>	<b>148%</b>
<b>% to Sales</b>	18.47%	20.57%	19.44%	14.79%		

## Type 1 Strategy

Current Type 1 Buildings	-	227
Total Identified Type 1 Buildings	-	100's
To be added this year	-	12 – 24

All multi-tenant buildings with clear potential are already On-Net  
Remaining potential are single tenant, office parks and strip centers

- Sales drive single tenant entry

- Office park and strip center tenants sometimes justify fiber

- Outside Plant Cabinet with copper distribution being developed

## Margin Improvement Efforts

A/R Collections Efforts

Resale Conversion / Rate Increases

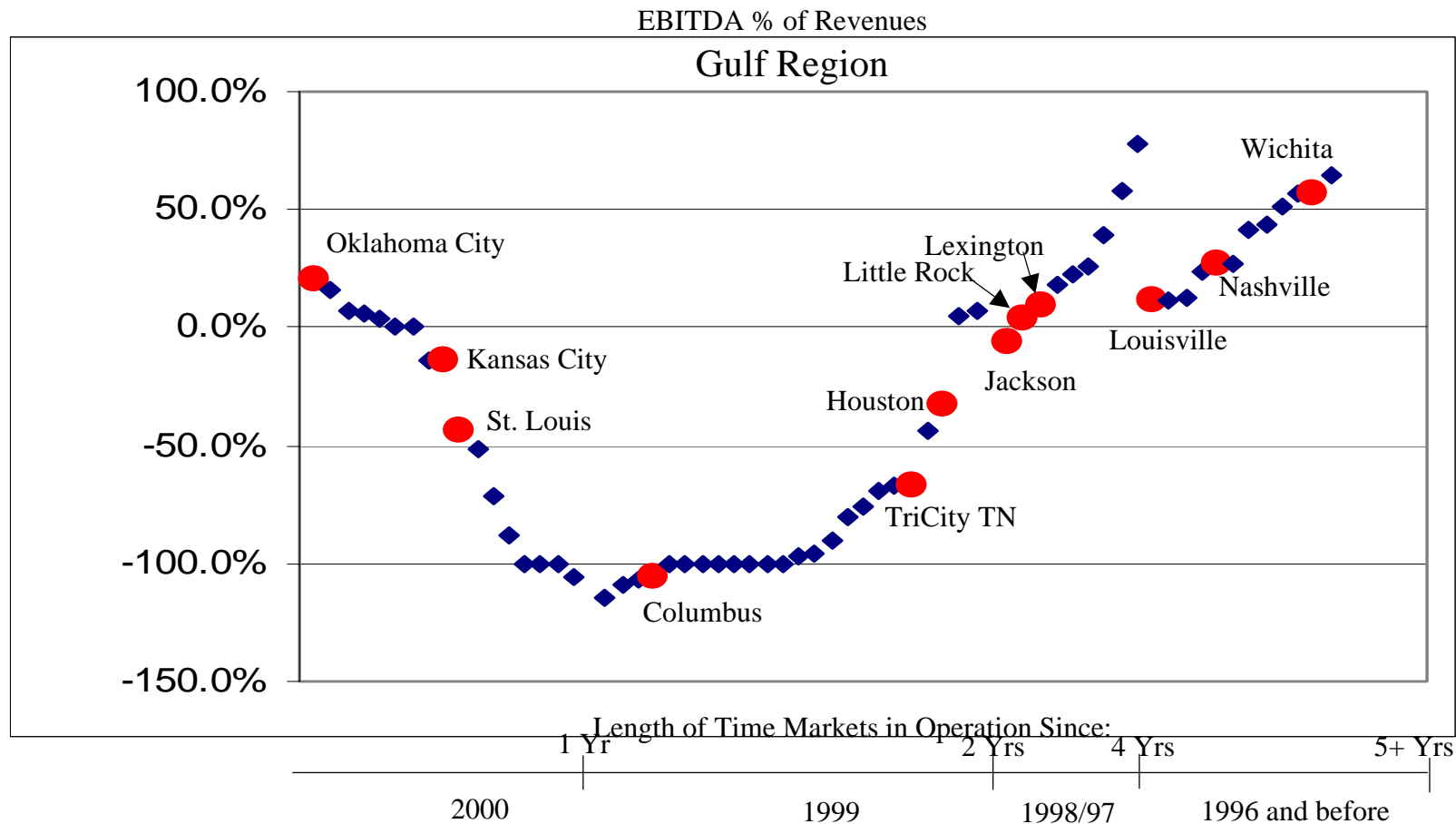
Cost of Service Analysis

Type II / UNE Optimization


Increase focus on new / existing

Type I locations

## A Historic Track Record of Success



*Class of 1999/2000 Markets*  
*Following in the footprints of*  
.....  
*their mature brethren*  
*David Sutherland - RVP South*  
*Region*

A decorative graphic in the bottom left corner consisting of several white dots connected by thin, curved white lines, resembling a network or a stylized constellation. A solid green horizontal line is positioned below this graphic.

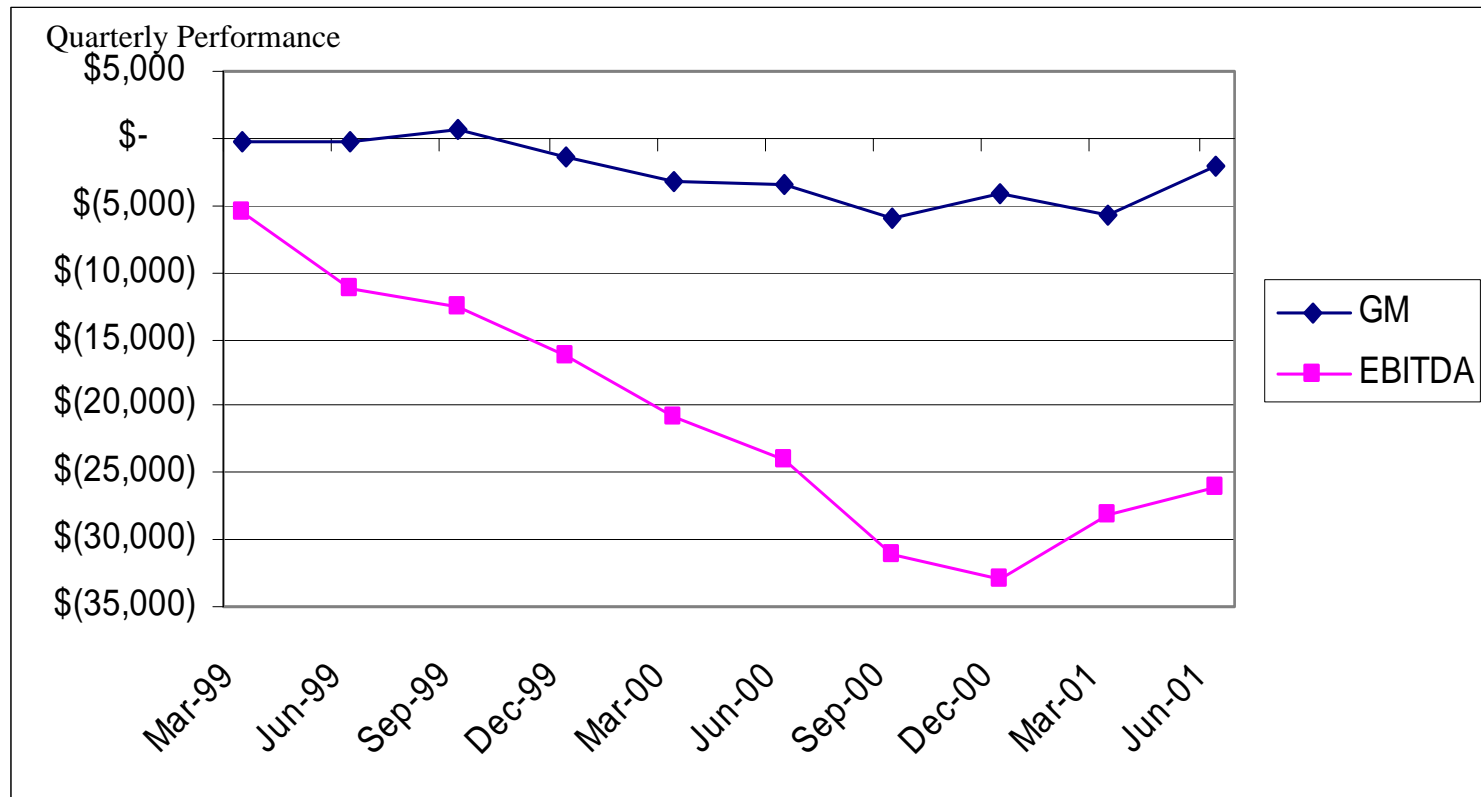
## Class of 1999 Markets Basic Facts

- History
  - Initial Expansion into primarily larger Tier I/II markets
  - Focus of Eastern half of US, particularly Southeastern US
  - Initially heavy focus on market share penetration before facilities were in place
  - Represents addressable market of approximately 18 million access lines \$35 billion in annual telecom revenues
- Current Situation
  - Only money forward in markets with network presence (25 markets)
  - Markets now have lit/operational metropolitan network rings, central offices, and ILEC/IXC collocations
  - Aggressively converting existing TSR business
  - No further TSR Installations
  - Reducing dependence/cost of ILEC networks use, i.e. driving positive gross margin

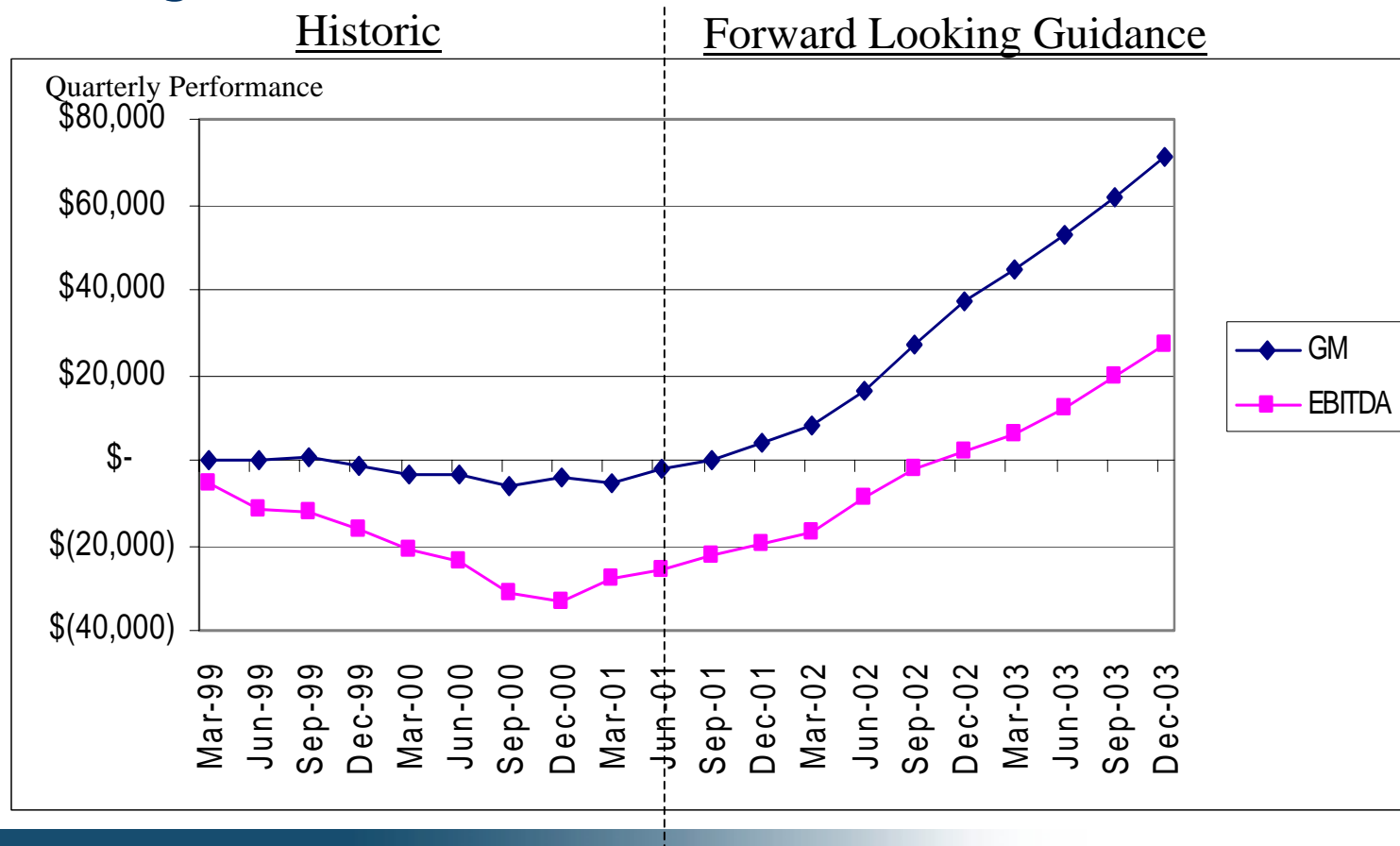
## Class of 1999 Markets Basic Facts Con't

- Future Outlook
  - Turn gross margin positive by end of 2001; EBITDA positive by Q3 2002
  - Incremental contribution margin from TSR conversion and new on-switch business of 65%-80%
  - Core market capital spending largely complete, then success based capital at roughly \$650-\$750/access line addition
  - Competitive landscape becoming much more favorable - market share opportunity is large

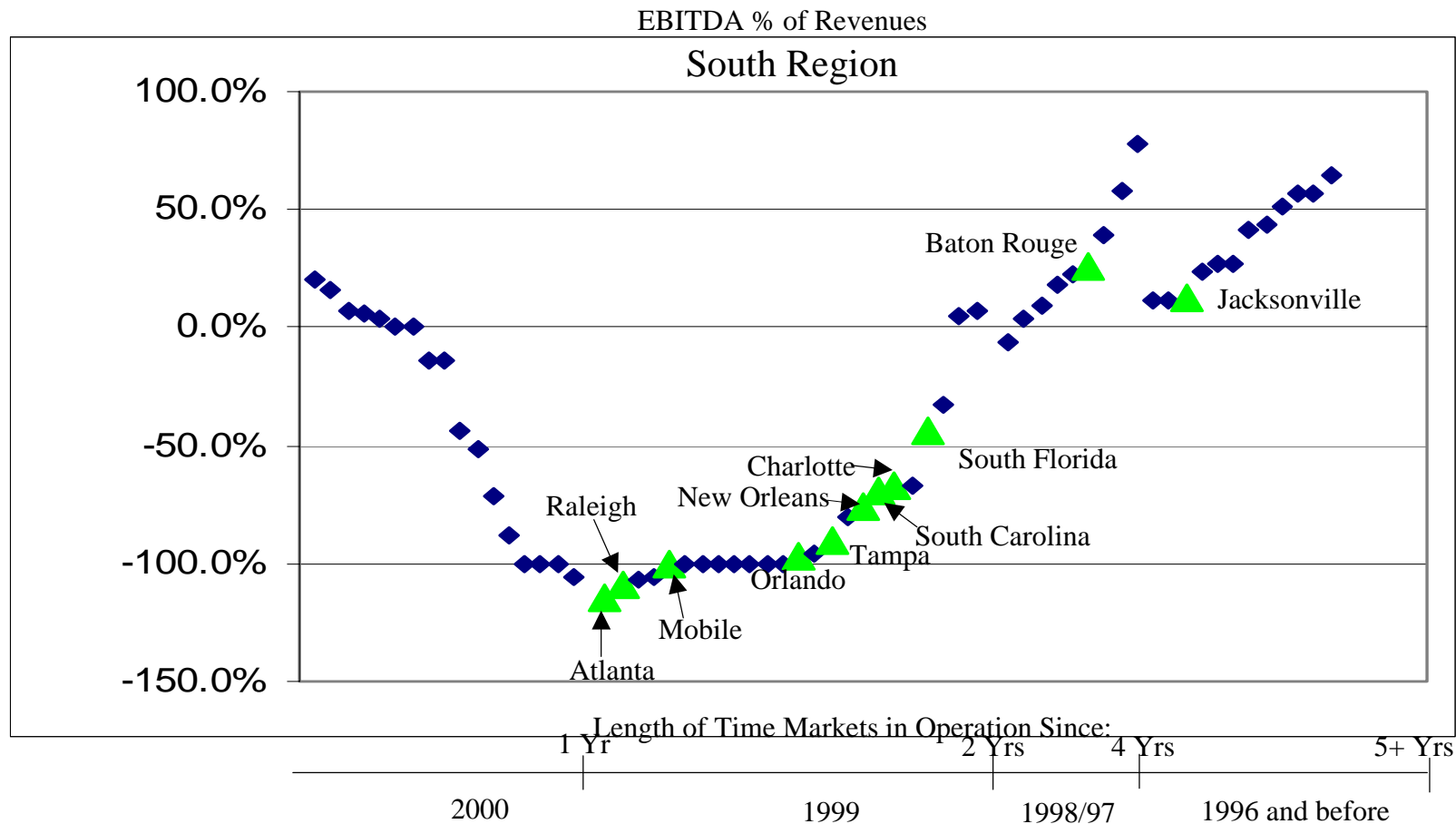
## The Corner Has Been Turned Passing the EBITDA Loss Inflection Point



# The Corner Has Been Turned Passing the EBITDA Loss Inflection Point



## A Historic Track Record of Success



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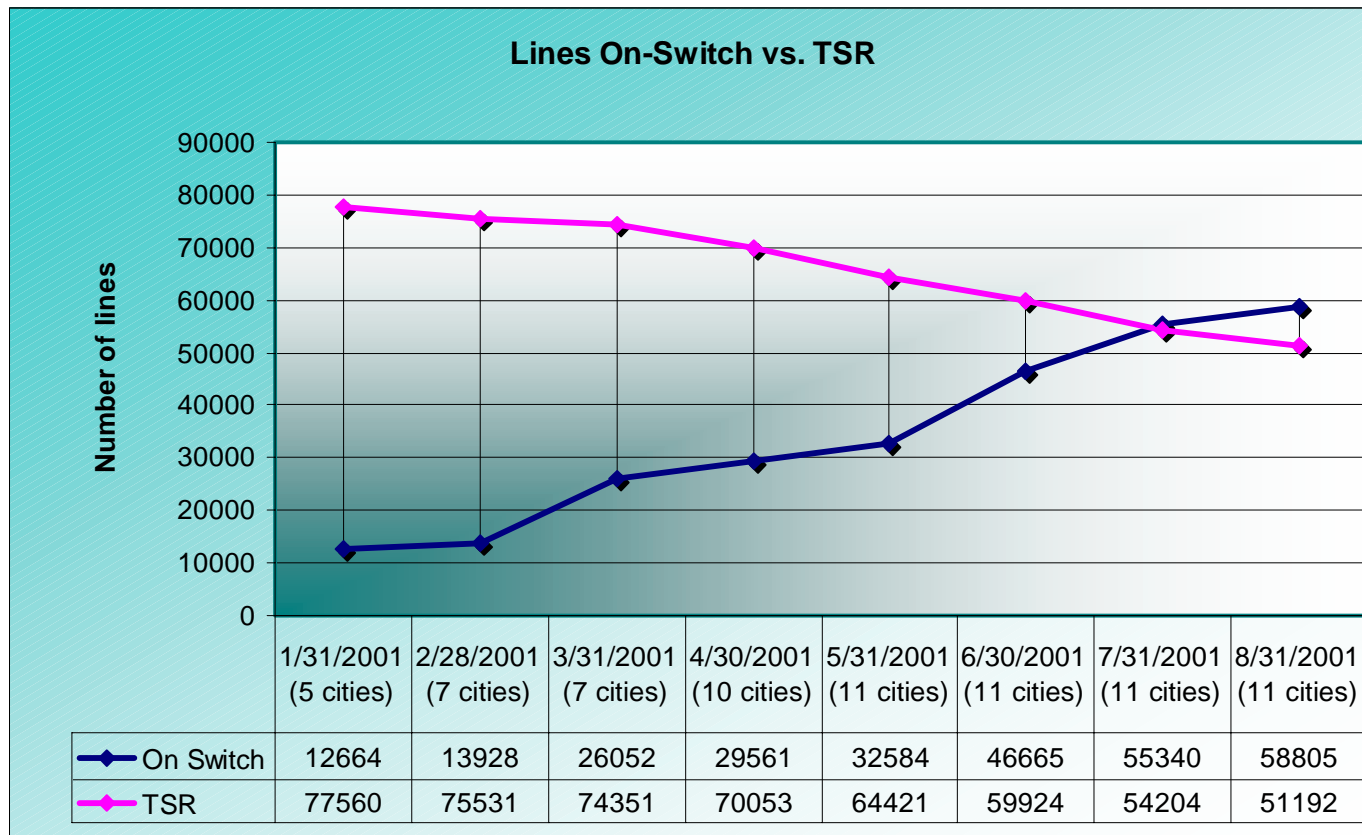
## Class of 1999 Markets - The Drive to Profitability

- Type I Building Entry Strategy
  - Replicate Historic Performance of Original Markets - Lots of experience
  - Focus on mid-sized buildings - under-served portion of the market
  - Utilized fixed wireless (2002+) where feasible
  - Lower CPE costs resulting in improved economics
- TSR Conversion of Existing Lines
  - 177 lit collocated LSOs
  - Focus on customers within our footprint
  - Raise rates or terminate customers where economics of conversion do not work

## The Drive to Profitability Con't

- Type II
  - Improved economics with UNEs and EELs
  - Large addressable market for bundled services on IAD
- Cost of Service Initiatives
  - Detailed audit of ILEC facilities invoices - error rate 10%-25%
  - Dispute resolution very favorable to date. \$15.2M recovered (or pending recovery) disputes
- Pricing
  - Pass through of ILEC charges for usage on TSR accounts
  - Features charges comparable to ILEC pricing
  - Discount to ILEC - On-switch 15%-20% off ILEC Tariff
    - TSR 0% off ILEC Tariff

# Profile of Improved Financial Performance Lines On-Switch versus TSR



\* Includes cost of network components to support connectivity to PSTN

## Pricing Opportunities - The Changing Competitive Landscape

- Target Pricing - 15% - 20% below ILEC fully loaded rates
  - Charge for features (call waiting, call forwarding, three way calling, etc.)
  - Pass through ILEC charges and usage on TSR customers
  - Raise TSR rates to equal ILEC rates - 0% discount
- Competitive Landscape Changing
  - Don't give away revenue opportunities
- Calling Areas/Call Plans

## Profile of Improved Financial Performance

### A Rollforward of Results

	<u>TSR</u>	<u>Change(a)</u>	Type II <u>SA T-1</u>	<u>Change (b)</u>	Type II <u>UNE/EEL</u>	<u>Change (c)</u>	Type I <u>On-Net</u>
Revenue	\$410	\$240	\$650	-	\$650		\$650
Direct Cost of Service	<u>450</u>	(100)	<u>350</u>	(160)	<u>190</u>	(115)	<u>75</u>
Incremental Gross Margin \$	(40)		300		460		575
Incremental Gross Margin %	(10%)		46%		71%		88%

#### Typical Customer Profile

##### Base line

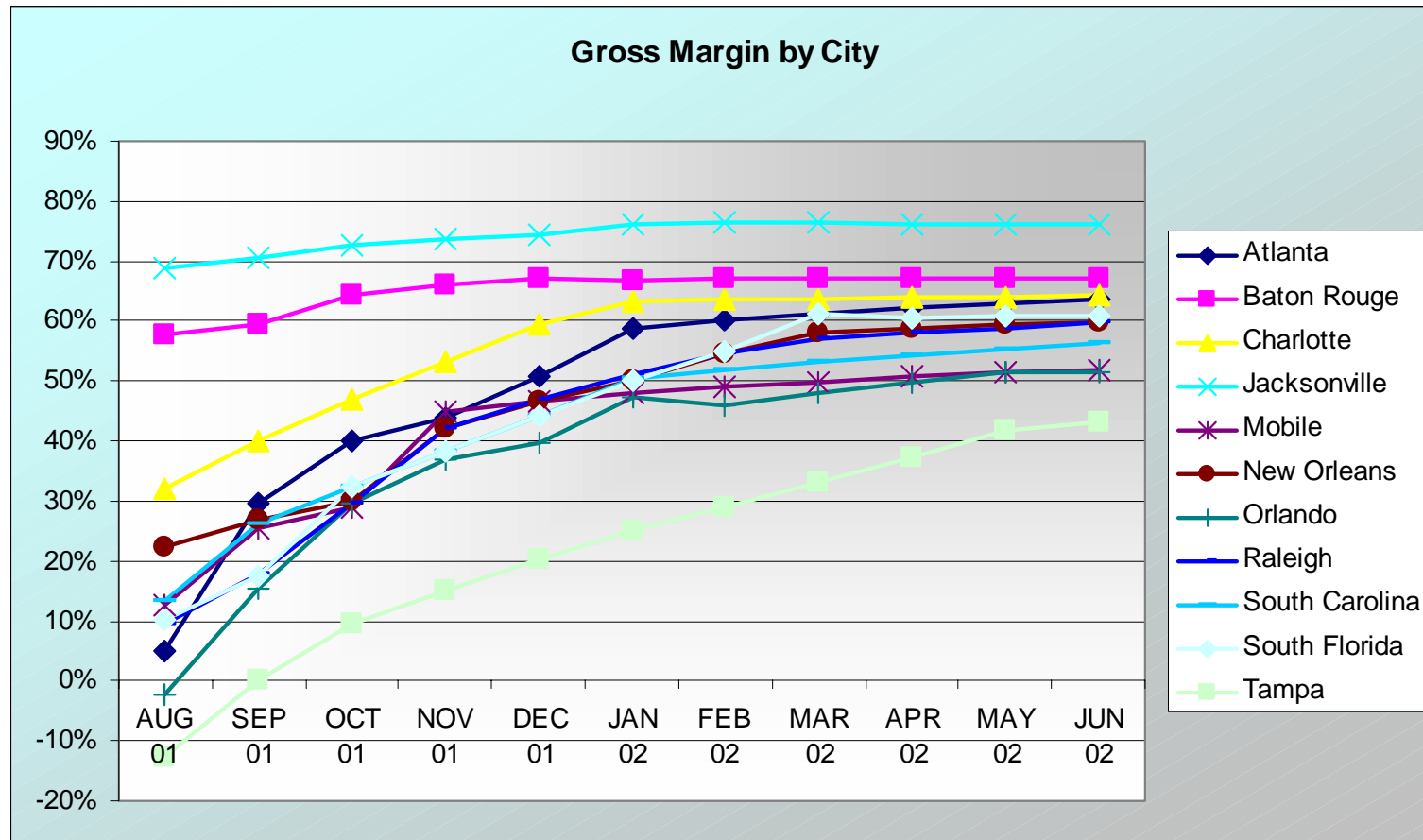
-12 line customer – local only

(a) TSR conversion and add LD and internet access

(b) Conversion to UNE/EEL

(c) On-net customer

# Gross Margin On Its Way To Join Mature Markets



*A Look at ABI Z from  
Adelphia's Perspective*

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*Tim Rigas, CFO*



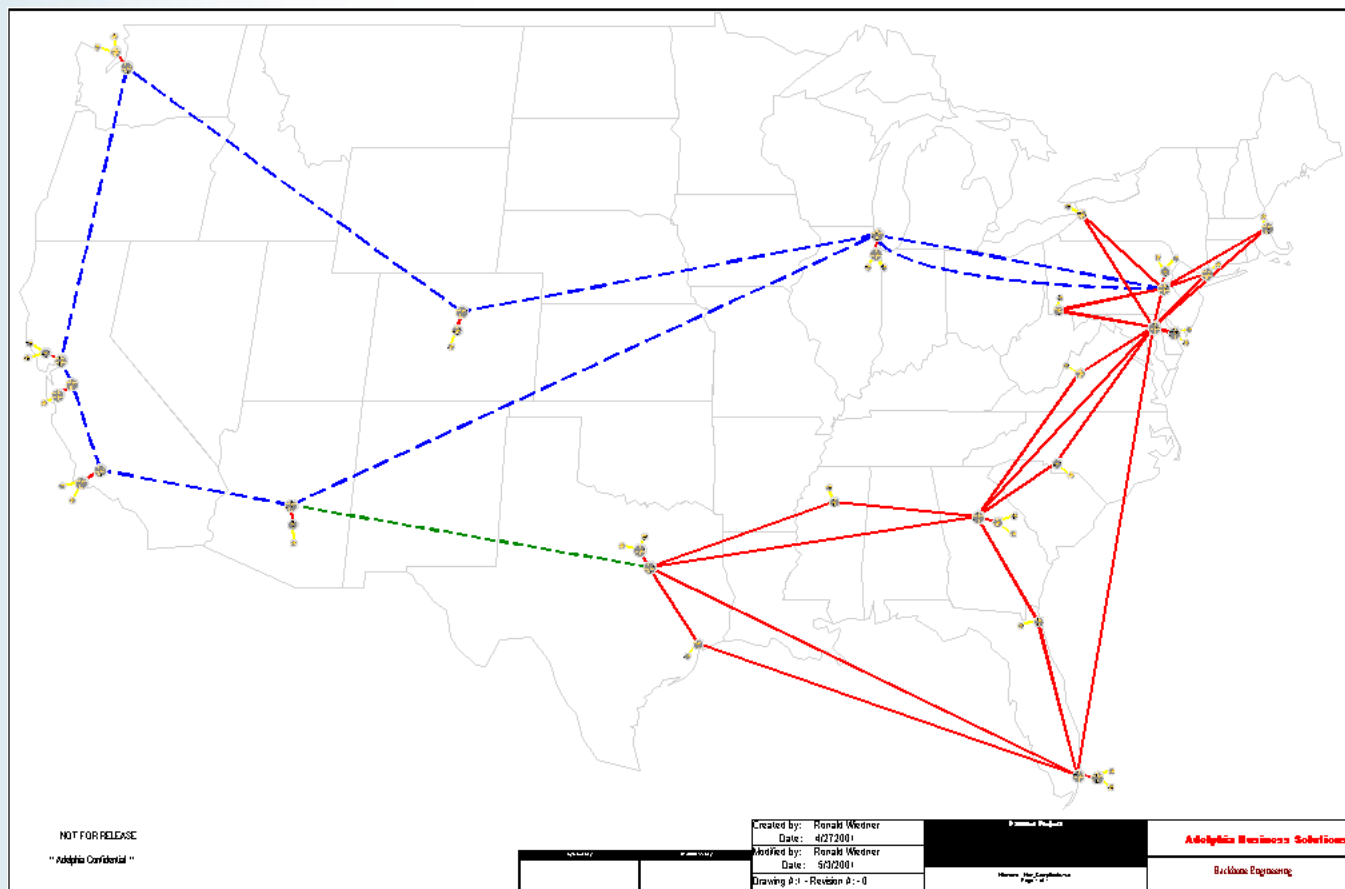
## A Look at ABS from Adelphia's Perspective

- Enabling Network
  - Digital TV Transport
  - High Speed Data – IP Backbone
  - Residential Telephony
- Attractive Investment
  - Leverage Enabling Network to provide better ROI

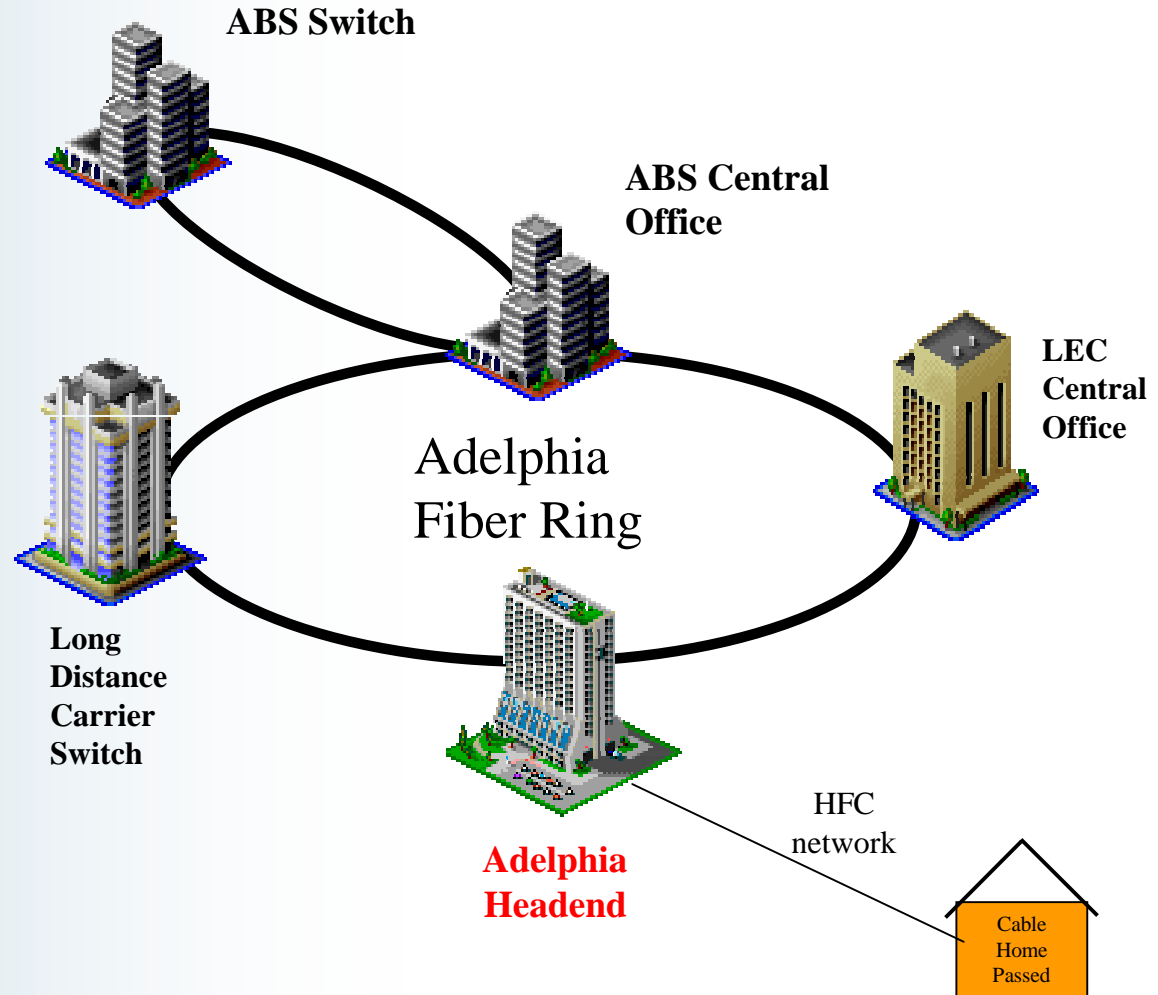
- The PONY ring allows digital set top boxes in Coudersport to be fed from digital headend equipment in Buffalo, enabling wide scale digital deployment while minimizing capital spent on headend equipment



- The IP Backbone will enable Adelphia to gain Tier 1 ISP status, saving the company \$7.00 to \$9.00 per cable modem customer in transport and transit expense.



- The ABS backbone can provide transport and switching to connect Adelphia cable subscribers to the public switched networks



*Morgan Stanley Sponsored  
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